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ABSTRACT

Hearings on the proposed federal fiscal 1984 budget are presented that focus on proposals for federal student financial assistance. One of the major recommendations of the Reagan administration's budget is to eliminate funding for the Pell Grant, Supplemental Educational Opportunity Grant, and State Student Incentive Grant programs and to create instead a self-help grant program with a maximum grant of $3,000. Students would be required to provide 40 percent of their educational costs. Additional recommendations are: to increase appropriations for the College Work Study program by 57 percent from the fiscal year (FY) 1983 level of $540 million to $850 million for FY 1984; and to double the origination fee for the Guaranteed Student Loan (GSL) program from 5 to 10 percent for graduate students, and to implement a needs analysis for GSL students regardless of income. In addition, federal funding for the National Direct Student Loan program would be eliminated, and an educational savings account would be created to encourage family savings toward college costs. The Department of Education proposes a major philosophical shift in federal student aid to return to the traditional emphasis on parental and student contributions as the basis of meeting college costs. (SW)

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BUDGET IMPACT, HIGHER EDUCATION, FISCAL YEAR 1984

HEARINGS

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

FIRST SESSION

HEARINGS HELD IN WASHINGTON, D.C., MARCH 1, 2, AND 10, 1983

Printed for the use of the Committee on Education and Labor

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BUDGET IMPACT, HIGHER EDUCATION, FISCAL YEAR 1984

TUESDAY, MARCH 1, 1983

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to call, at 9:40 a.m., in room 2261, Rayburn House Office Building, Hon. Paul Simon (chairman of the subcommittee) presiding.

Members present: Representatives Simon, Andrews, Kogovsek, Harrison, Coleman, Gunderson, Petri and Packard.

Also present: Representative Biaggi.

Staff present: William Blakey, majority counsel; Maryln McAdam, majority legislative assistant; and John Dean, minority assistant counsel.

Mr. SIMON. The subcommittee will come to order.

I have a statement I will enter into the record. We are starting hearings on the proposed fiscal 1984 budget and what the implications of that budget are and where we ought to be going.

Let me first of all express appreciation to Secretary Bell, who obviously, in his battles with OMB, has come up with budget figures that are appreciably better than the budget figures we were presented a year ago and 2 years ago.

At the same time, I have some serious reservations about the restructuring that is being suggested; reservations in part because of the details of that restructuring and what it would do; reservations also because of what I feel is a need for some stability in this whole field of financing and higher education.

When we come to reauthorization in 1985, obviously at that point we will take a good hard look at restructuring, but for major restructuring prior to that time, my own predilection is to go somewhat cautiously.

[The opening statement of Hon. Paul Simon follows:]

OPENING STATEMENT HON. PAUL SIMON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS AND CHAIRMAN OF THE SUBCOMMITTEE ON POSTSECONDARY EDUCATION, MARCH 1, 1983

Today we begin a series of hearings on the Reagan administration's proposed budget for fiscal year 1984. This morning's hearing will focus on proposals in the area of Federal Student Financial Assistance and what the result would be if the President's requests were enacted.

When the administration introduced its fiscal year 1984 Budget on January 31, 1983 it was facially very different from the previous student assistance Budgets and set the scene for a philosophical debate over disbursement of Federal dollars rather

than a purely economical one. A Department of Education release proclaimed that assistance to needy college students is a major emphasis of the Department's Budget and $5.8 Billion or 44 percent of the total Departmental Budget is allocated to Postsecondary Education. However, when subjected to careful analysis the Reagan Student Aid Budget loses its appeal and it becomes apparent that it is both deceptive and potentially devisive. It also contains many serious problems.

There are three major Recommendations in the Administration's Budget. They include:

Eliminating funding for the Pell Grant, Supplemental Educational Opportunity Grant, and State Student Incentive Grant Programs and creating a "Self-Help Grant" program in its place with a maximum grant of $3,000 and a requirement that students provide 40 percent of their educational costs; Increasing appropriations for the College Work Study Program by 57 percent from the fiscal year 1983 level of $540 million to $850 million for fiscal year 1984; and Doubling the origination fee for the Guaranteed Student Loan (GSL) Program from 5 to 10 percent for graduate students and implementing a needs analysis for all GSL students regardless of income.

In addition, Federal funding for the National Direct Student Loan (NDSL) Program is eliminated and an Educational savings account is created for parents to encourage family savings towards college costs, thus eventually reducing Federal outlays and subsidies.

In its Budget Document the Department says that it is proposing "A major philosophical shift in Federal Student Aid: to return to the traditional emphasis on parental and student contributions as the basis of meeting college costs." The truth is families and students have always contributed significantly to Educational costs and continue to do so today. As the cost of attending institutions has risen by 15 percent for private institutions and 16 percent for public institutions for the 1982-83 academic year and Federal student aid has remained constant, it has been students and their families who have faced an ever widening gap between available assistance dollars and costs of higher Education with their own contributions.

Although at first glance the Budget does not appear ominous, it is. Take for instance the seeming increase in Grant money that will be available because the maximum "Self-help Grant" is $3,000 instead of $1,800 for Pell Grants. If you compare only Pell Grants and Self-help grants, there is an increase. But the truth of the matter is that a student receiving a Pell Grant is also eligible for a $2,000 SEOG and a $2,000 SSIG award. In total the student could receive as much as $5,800 in grant money. Under the proposed system only $3,000 is available.

Similarly the proposed increase in College Work Study monies is deceptive. While I agree with the Administration that Students should help pay their college costs through Work Study earnings, the facts are there are simply not enough jobs to absorb the $850 million. In fact for the 1981-82 academic year there were not enough jobs to absorb $528 million. During that year, $48.6 million was either returned to the Federal Government, transferred to other campus based programs or carried over to the current academic year. If this proposal were to be adopted it is all too possible that we would have several million Work Study dollars returned unused at the same time that students are unable to go to pursue their dreams of a Postsecondary Education because there are insufficient sources of funding available.

Finally, I am concerned that many of the Administration's proposals call for major Legislative changes which would result in a total restructuring of Federal Student aid programs. Such massive alterations are suited for the reauthorization process but are inappropriate for the Budget process. Now is not the time to revamp student aid. The task should be taken up only when the Congress reauthorizes the programs contained in the Higher Education Act.

It is our hope that our witnesses here today will help us to further evaluate the Administration's recommendations and will provide us with first hand knowledge of exactly what impact those proposals would have if they were enacted.

Dr. Elias Blake, President of Clark College in Atlanta, Georgia; Dr. Joseph Murphy, Chancellor of City University of New York; Dr. James Olson, President of the University of Missouri; Harold McAinch, President of the College of DuPage, in Glen Ellyn Illinois; and Dr. Richard Stevens, President of Greenville College in Greenville, Illinois. Welcome Gentleman, we are looking forward to your testimony.

Mr. SIMON. Before we hear from our distinguished panel of witnesses, I am going to ask my colleagues if they have any opening statements or anything to add here.

Mr. Coleman?

Mr. COLEMAN. Mr. Chairman, on behalf of Mr. Erlenborn, who is the ranking member of our full committee, I did want to welcome here today the college president of DuPage College, Mr. McAninch, who is present with us today. I have not had a chance to meet him myself, but John did want to extend his wishes to you and ask that we take back a copy of your testimony to him so he will have first-hand knowledge. While I have the microphone I'd like to welcome Jim Olson, our fine president of the University of Missouri system and a good friend of all of us.

Thank you, Mr. Chairman.

Mr. SIMON. Mr. Biaggi?

Mr. BIAGGI. Thank you, Mr. Chairman, first for permitting me to sit in this meeting this morning, although I am not a member of this subcommittee I asked to sit in expressly for the purpose of introducing the Chancellor of the City University of New York, Dr. Joseph Murphy, who I guess lends credence to the old adage that a prophet is without honor in his own land.

Dr. Murphy is a native New Yorker, was in the educational community all of his adult life, and then decided to go on to foreign areas and he wound up in Bennington, Vt., as president of Bennington College. When Dr. Kibbee decided to leave because of ill health, there was a mad scramble and the competition was severe for a new chancellor. Joseph Murphy stood the test and emerged victorious.

I don't know if I should congratulate you Joe, or offer you condolences, especially in the light of the attitude that is being taken by all levels of government with relation to financing the educational component of our daily living. I have every confidence that he will meet all the challenges and preserve the kind of education structure that we have built and preserved over the years. I welcome you today.

Mr. SIMON. We will hear from all members of the panel first, and then have questions from them.

First Elias Blake, the president of Clark College of Atlanta, again no stranger to this room and to this subcommittee. We are pleased to have you here again.

STATEMENT OF ELIAS BLAKE, JR., PRESIDENT, CLARK COLLEGE, ATLANTA, GA.

Mr. BLAKE. Thank you very much, Chairman Simon.

I would like, first of all, to enter for the record an overview, which was prepared by the American Council on Education on behalf of all of the major higher education associations. I would like to enter that statement, which I believe you have, as background.

Mr. SIMON. That will be entered into the record. I might add we will also enter into the record any formal statements that you have, and you may proceed as you wish in your testimony.

Mr. BLAKE. I have a formal statement, which I will try to summarize. That statement will be given for the record.

I am Elias Blake, Jr., president of Clark College in Atlanta, Ga. Today I appear before you as a representative of the National Association for Equal Opportunity in Higher Education, NAFEO, the

membership association of 114 historically and predominantly black colleges and universities, to address the impact of President Reagan's proposed fiscal year 1984 education budget on the black college sector.

NAFEO institutions enroll upward of 200,000 students and graduate approximately 30,000 students annually. Although these colleges enroll only 19 percent of black students nationwide, our institutions graduate approximately 40 percent of all black college graduates.

Historically, these institutions have assumed an affirmative action role by providing access to higher education for blacks where a similar commitment was absent elsewhere.

These institutions have from 65 to 95 percent of their students on multiple forms of financial aid in order for them to have an opportunity to go to college. This results from the fact that the medium income in black families is only 57 percent of that in white families. Therefore, we must evaluate major changes in the structure of financial aid programs with great care.

In a financial aid system which even before it stopped expanding its expenditures did not cover unmet needs—that is, the difference between what parents can pay and students can work for and the cost of going to school—you will have increasing financial stress in these kinds of populations, whatever proposals are put forward.

Educational costs over the last 3 to 4 years have had to rise. Financial aid support has not increased, the economy has weakened and unemployment has skyrocketed, particularly among black Americans.

Grants and work support have not expanded in the financial aid programs. Therefore, built into the system is increasing financial stress for low- and moderate-income families of all types of institutions.

Since black Americans are disproportionately in the lower end of income distribution, the financial stress for meeting educational costs has been increasing by leaps and bounds.

It is my view that the lack of continued increases toward parity in enrollment at all levels for black Americans—2-year, 4-year, graduate, and professional schools—in the last 5 years is directly related to the problems of adequate financing in education.

One overriding conclusion then flows from this introductory statement. No combination of grants and loans in a nonexpanding student financial aid program can materially reduce the increasing financial stresses on a majority of black families seeking higher education for their children as a powerful means of upward mobility.

I make this point because in a steady state or a capped kind of series of student financial aid programs, it is inevitable that as costs go up, even with modest inflation, these particular categories of families are hit very hard, even if they maintain the kinds of grants and the kinds of loans that they have been getting in the past. There is a kind of gap factor that just continues to increase. Because these families do not have substantial incomes, it creates a major problem for them.

We are encouraged by those elements of the budget which increase the levels of grant support and target these levels more on

low- and moderate-income families. Careful attention, however, must be paid to:

One, the impact of the self-help qualifying levels, which may become a barrier to getting the increased levels of grants to low and moderate-income families;

Two, the possibility that the loan option may become much more necessary for low- and moderate-income students to meet the self-help qualifying option. Loans in these populations in our experience in the black colleges have proven considerably more difficult to get than for other middle- and upper-middle-income populations. So we are very concerned about that.

Three, we are concerned that the ceiling on eligibility must not be so low that a family with both parents working and making around $10,000 a year may, in a sense, be disqualified from significant grant and college work study aid.

In those families, which are really fairly low-income families and who work at the bottom of the economy in jobs making around $10,000 a year, and also for the single parent who is working and maybe making even $15,000 to $20,000 a year, there are some indications that these kinds of families may be made ineligible to receive significant amounts of grants and college work study support.

These concerns, then, we express, despite the fact that the program does seem to budget more of the money on low- and moderate-income families.

The administration's proposal to return to the traditional emphasis on parental and student contributions is the initial basis for meeting college costs and to receive grants only if other sources of aid are insufficient or on their face laudable, but when the social and economic realities of blacks that I have mentioned are considered, the proposals then could generate significant problems.

The administration's proposal seems to assume an availability of summer employment and also the availability of considerable more work time that, as we know, black youth and teenagers are having significant difficulty already in doing that. So, we wonder where this contribution is going to come from in these families.

The proposed elimination of SEOG and SSIG funds, which in the past have supplemented the Pell grant awards, makes the recommended policy even less appealing, particularly because of the flexibility in the SEOG program.

Any proposal that assumes a greater financial commitment by Black families and requires greater student contributions, whether through work or loans, as a test of eligibility ignores the current plight of black families and black youth.

It is our assessment that the administrations proposed new policies raise more concerns than assurances involving issues of access and equity for low- and moderate-income and minority students.

The recommended changes affecting graduate students through increased origination fees for guaranteed student loans and the elimination of the graduate and professional opportunity and the law school clinical programs herald erosion of some of the limited gains in graduate education made by minorities in recent years.

Proposed elimination of other national purpose programs would deny additional opportunities for mainstream experience for minority institutions and the institutions they attend.

I return to the point I made earlier, black Americans have seen in the last 5 years their progress and enrollment in higher education essentially stopped and it is at a plateau. This is something that is not very well- known. Even at the undergraduate level, the proportion of blacks in higher education has stopped at around 9 to 9.5 percent. It has not been increasing.

The same thing is true in graduate and professional education, and this means that we are about 30 percent below parity and stalled at that level. When you get major changes in these programs, we are concerned that these changes could have an impact of weakening an already fragile situation for the blacks in the country in regard to higher education opportunities.

We would like to comment on some things we view favorably; that is, the request to increase the title III institutional aid program set aside for black colleges by $3 million. It is considered as an attempt to closer aline the disbursement of funds with commitment to the viability of needy institutions which enroll disproportionately large numbers of low income and minority students.

These basic assumptions are also reflected in the budget request to maintain the current level of funding for the minority institutions science improvement program. Yet, this program does not target as much money to minority institutions as is thought. In fact, less than 50 percent of all the program funds in MISIP go to historically black institutions.

We are particularly distressed by the proposal to reduce the funding of the TRIO program special services for the disadvantaged students by 77 percent. This has been a very good program and a very important program for us in terms of developing programs which help to keep students in college once they are in, and also to make them aware of the opportunities for postsecondary education.

These programs have been judged by a series of evaluations to be effective programs, so we would not like to see these programs decreased, despite the fact that they are talking about targeting them on majority-minority institutions.

It is our view that these programs are needed not just for those kinds of institutions, but for all kinds of institutions that want to be more aggressive in trying to get more black and low-income students in college. This program has been a major program in that regard.

One of the programs which has been proposed for elimination is the HUD housing program. There are a number of black colleges which have grown tremendously over the last decade. They need this program in order to do refurbishing and to develop new dormitories. They are not in a situation where their enrollment is declining. This program for us has been a very important program in the past and a program which we still need.

Finally, I would like to say that we are deeply concerned that the major shift in financial aid in categorical program priorities may have some adverse effects on educational advancements in access and attainment by the black higher education community.

It is our basic recommendation that these substantive changes be viewed very carefully and possibly held in abeyance until thorough hearings can be held during consideration for reauthorization of the Higher Education Act under which we are now operating.

Mr. SIMON. We thank you very much, Dr. Blake.

[The prepared statement of Elias Blake, Jr., follows:]

PREPARED STATEMENT OF DR. ELIAS BLAKE, JR., FOR THE NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION (NAFEO)

Mr. Chairman and members of the Subcommittee, I am Elias Blake, Jr., President of Clark College in Atlanta, Georgia. Today, I appear before you as a representative of the National Association For Equal Opportunity in Higher Education (NAFEO), the membership association of 114 historically and predominantly black colleges and universities, to address the impact of President Reagan's fiscal year 1984 Education Budget on the black college sector.

NAFEO institutions enroll upwards of 200,000 students and graduate approximately 30,000 students annually. Although historically black colleges and universities enroll only about 19 percent of black students nationwide, our institutions graduate approximately 40 percent of all black college graduates. Historically, these institutions have assumed an affirmative action role by providing access to a higher education for blacks where similar commitment was absent elsewhere.

We are encouraged by the elements of the budget which focus increased financial aid to the neediest students and target support for historically black institutions through certain categorical programs. Nevertheless, the overall impact of this realigned approach is not perceived to be of great benefit to the sector at large.

The impact of proposed changes in financial aid policy are of most immediate concern due to the fact that students at historically black colleges and universities rely heavily on federal financial aid. It is our experience that radical changes in financial aid policy have great and immediate impact on our enrollment levels. Given the important role that Federal financial aid policy has played in the provision of access and educational opportunity gains for blacks, changes in that policy affecting student eligibility and award levels are key indicators of continued strides toward, or retrenchments away from, the goal of racial parity in higher education. It is essential that fragile gains in access and equality be closely monitored in tandem with the policies used to effectuate those gains.

The Administration's proposals to return to the traditional emphasis on parental and student contributions as the initial basis for meeting college costs and to receive grants only if other sources of aid are insufficient, are on the face laudable. When the economic and social realities of blacks in this country are considered, the proposals lose much of their luster.

According to projections by the National Urban League, the current recession will exacerbate racial economic inequity. In October 1982, one out of every five black workers was unemployed and teenage unemployment stood at 50 percent. Blacks continue to have considerably lower average incomes than whites. In 1980, the per capita income for the black community was $4,804 compareed to a per capita income of $8,233 for whites.

Under the Administration's new "self-help" proposal, a student would be required to contribute 40 percent (or a minimum of $800) of college costs through work or loans in addition of what the family contributes. Although the maximum award would be extended to $3,000 over the maximum Pell Grant award of $1,800 for academic year 1982-83, analysis indicates that the "self-help" proposal may actually prove to be a negative benefit to students, particularly those at low cost colleges where the bulk of black students are found.

The Administration's proposal also assumes the availability of summer employment and necessitates more work-study time. For the disadvantaged student who may require more free time to study during the year or to attend summer school, or who cannot find lucrative summer employment, the self-help provision may be an unforseen barrier to college attendance. The proposed elimination of SEOG and SSIG funds, which in the past supplemented the $1,800 maximum Pell Grant award to as much as $2,000, makes the recommended policy under consideration even less appealing. Any proposal that assumes a greater financial commitment by black families and requires a greater student contribution, whether through work or loans, as a test of eligibility ignores the current plight of black families and black youth.

Recently, historically black colleges have registered enrollment declines. Though marginally small, 2.5 percent at independent colleges and 2 percent at public colleges, enrollment fluctuations often presage greater difficulties for our institutions where approximately 90 percent of students are eligible under current criteria for federal financial aid. At all institutions, approximately 25 percent of the student population qualify for such aid.

It is our assessment that the Administration's proposed new policies raise more concerns that assurances involving issues of access and equity for low income and minority students. The recommended changes affecting graduate students through increases in origination fees for Guaranteed Student Loans, and the elimination of the Graduate and Professional Opportunity and the Law School Clinical Programs, herald erosion of the limited gains in graduate education made by minorities in recent years. Proposed elimination of other national purpose programs would deny additional opportunities for mainstreaming experiences for minority students and the institutions which they attend.

We are compelled to address aspects of the Budget which directly involve the historically black colleges and universities. The 1984 request to increase the Title III (Institutional Aid Program) set-aside by $3 million is viewed favorably as an attempt to closer align dispersement of funds with commitment to the viability of needy institutions which enroll disproportionately large numbers of low income and minority students. These basic assumptions are also reflected in the budget request to maintain the current level of funding ($4.8 million) to the Minority Institutions Science Improvement Program. Yet, in this small program, which has as its goals to improve access to science careers and the quality of science instruction for minorities, less than 50 percent of all program funds are directed at historically black institutions. The proposal to reduce funding to the TRIO Programs (Special Services for Disadvantaged) by 77 percent raises serious questions involving the promotion of access for disadvantaged students nation wide. Though having less impact on the black college sector by confining eligibility to institutions where enrollments are greater than 50 percent minority, it appears that an attempt is being made to further constrict disadvantaged student participation in higher education within the guise of budget cutting.

The historically black college sector is deeply concerned that the major shift in financial aid and categorical program priorities as evidenced in the President's budget may have an adverse effect on educational advances in access and attainment made by the black higher education community. It is our recommendation that substantive changes in legislation and appropriation be held in abeyance until given proper consideration during the Higher Education Act Reauthorization process.

NAFEO's fiscal year 1984 appropriations recommendation

Title III	$134,400,000
Title IV:	
Pell grants	2,713,000,000
SEOG	355,400,000
CWS	850,000,000
NDSL	178,600,000
SSIG	60,000,000
GSL	2,047,000,000
TRIO	154,700,000
VCOI	3,000,000
Title VI	21,000,000
Fulbright-Hays	5,000,000
Title VIII (Coop Ed)	14,400,000
Title IX:	
GPOP	10,000,000
Public service	1,900,000
Law school clinics	600,000
CLEO	1,000,000
Title X (FIPSE)	11,700,000
MISI	4,800,000
Women Educational Equity Act	5,760,000
NIE	55,600,000
NCES	8,747,000
College housing loans	40,000,000

Higher Education and the FY 84 Budget: An Overview

The Administration's FY 84 budget recommends an overall freeze on spending for programs affecting higher education - a marked turnaround from its FY 83 requests for drastically reduced funding. It recognizes the role of basic research in building national strength. Nevertheless it calls for further restriction of educational opportunities, and major reductions in a number of programs which make important contributions to economic and social goals.

Student Assistance

Although total dollars for need-based aid would be held at the FY 83 level of $3.56 billion, the Administration would radically alter the way student aid is distributed. Pell Grants, Supplemental Grants (SEOG), Direct Loans (NDSL), and State Student Incentive Grants (SSIG) would be replaced by a new "self-help supplement" grant program and an expanded Work-Study program. By the Administration's own estimates, the net effect would be to eliminate approximately 1 million student aid awards.

Guaranteed Student Loans would be restricted further, by requiring all recipients to undergo a needs test (only required for those with family income over $30,000 at present), and by doubling the loan origination fee for graduate students. These steps would save an estimated $127 million, but reduced interest rates are the primary reason GSL costs are estimated at $2.2 billion - down almost $1 billion from FY 82 levels.

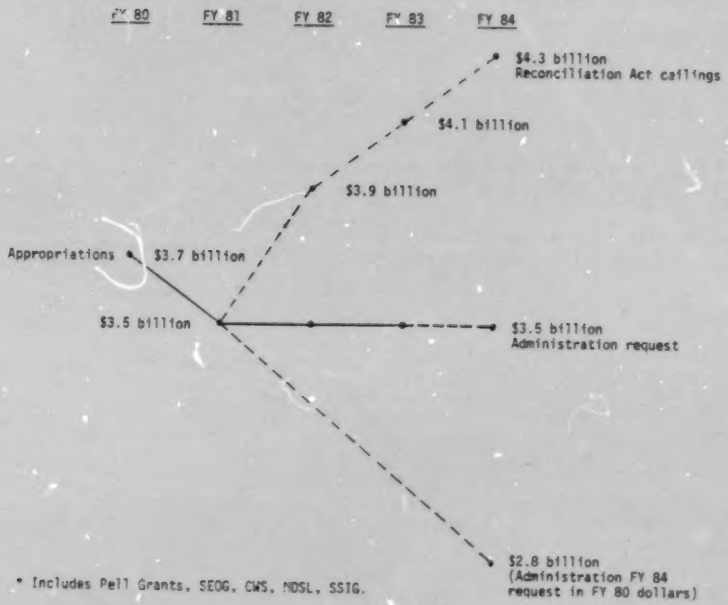
The Administration would also eliminate graduate fellowships for minorities and women, and impose a 77 percent cut on special services (TRIO) to encourage college attendance and retention of disadvantaged students.

The Administration claims that its proposed reallocation of student aid funds will effect "a major philosophical shift" emphasizing self-help by requiring significantly increased family contributions, student borrowing, and self-help expectation before federal grants are provided. To accomplish this goal it would modify the formulas by which Pell Grants are computed to remove many students from eligibility and reduce the aid available to most remaining recipients. However, families are already required to make substantial contributions, need analysis already imposes a self-help contribution from the student as well as a parental contribution, and student borrowing (necessitated by inadequate federal, state, and institutional aid) is reaching levels which are widely viewed as excessive.

Our concern is that federal student assistance has been cut back over the last three years to the point where educational opportunities throughout the nation have already been restricted. At a time when expanded opportunities are essential for economic recovery, this budget would bring about further reductions in aid for most students who need assistance to meet rising college costs.

Another year of level furding even without the radical reallocations proposed by the Administration would seriously undermine the effectiveness of federal student aid, which has already been badly damaged by the failure to keep pace with inflation in recent years. Since FY 80, funding of the need-based aid programs has declined 23 percent in constant dollars. If social security and veteran's educational benefits are included - and these two programs in the final stages of phaseout were the largest federal student aid programs in FY 80 - federal student assistance declined 32 percent in constant dollars. The following chart illustrates the erosion of federal student aid dollars:

Erosion of Federal Student Aid* Funding Since FY 80



* Includes Pell Grants, SEOG, CWS, NDSL, SSIG.

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The seriousness of this erosion is typified by the maximum Pell Grant, which provided $1,800 to the neediest students in FY 79. At that time, the award represented 46 percent of the average cost of attendance at all institutions (although only 28 percent of the cost for students attending independent institutions). Unless the maximum award is increased in FY 84, it will meet only 25 percent of the average cost of attendance - and only 16 percent of cost for students at independent institutions.

Recent studies present disturbing evidence of the impact of this erosion in the value of federal aid. Research undertaken for the Congressionally-appointed National Commission on Student Financial Assistance has shown a marked decline in postsecondary enrollments of low-income students directly attributable to the failure of aid to keep pace with rising costs. The National Institute for Independent Colleges and Universities has reported a 39 percent decline in enrollment of students with family incomes between $6,000 and $24,000 from FY 79 to FY 81. Similar declines have been reported in some parts of the public sector.

We are deeply concerned that this evident restriction of postsecondary opportunities for needy students may be accelerated by another year of level funding for federal student aid - particularly if the Administration's recommended reallocations are implemented.

The Administration's proposal for an Educational Savings Account should stimulate serious consideration of tax incentives to save for future educational expenses. We support the concept, as long as it is not intended to substitute for need-based aid. But the Administration's proposal offers only marginal incentives for savings.

Basic Research

For research and development in general, and basic research in particular, the FY 84 budget provides significant increases in real terms over inflation. Government-wide, proposed increases in basic research average 10 percent, with an 18 percent increase in the National Science Foundation.

Especially commendable are plans to increase funding for research instrumentation to rehabilitate college and university laboratories: $180 million is earmarked for this purpose in the budget of the NSF directorates, and additional amounts are included in the research budgets of the mission-oriented departments and agencies. NSF also proposes to increase graduate fellowships, initiate a new program to encourage young faculty investigators, and begin addressing the problems of science education which have been virtually ignored in the budgets of the past two years.

Despite significant increases for the physical sciences, however, there are troublesome weaknesses in the research budget, particularly for biomedical sciences. Slight increases for the National Institutes of Health mask a loss of 10-15 percent in constant dollars since FY 80. Proposed cuts in extramural competitive grants and research traineeships, a new assault on the vital principle of funding indirect costs of medical research, and further cuts recommended for health professions assistance and most categorical health programs raise troublesome questions about the future vitality of research in the health sciences and training for the health professions. In addition, proposed restrictions in Medicare and Medicaid payments have grave implications for the stability of the nation's teaching hospitals and university medical centers.

Other disturbing aspects of the research budget include the proposed termination of the Sea Grant program, and significant cuts requested for research in important fields of agriculture, energy, and urban development where advances in the frontiers of knowledge could stimulate progress on national problems.

Support for Other National-Purpose Programs

From the perspective of the national budget, student assistance ($11.5 billion) and support of basic research ($6 billion) comprise almost the entire federal contribution to higher education. Nevertheless, a variety of other programs serve national purposes of importance far exceeding their relatively small appropriations. The extent to which these programs would be severely curtailed or eliminated by the proposed FY 84 budget should receive careful scrutiny by the Congress. For example:

* Vocational and adult education programs, which are central to any national strategy for retraining of the work force, would be cut back by 40 percent.

* Federal support of language training and area studies, so critical in addressing the imperatives of statecraft and global understanding, would be eliminated entirely.

* Support for academic and research libraries, which face urgent needs to adapt to newer information technologies, would be terminated.

* Badly needed renovations of academic and dormitory facilities, which could put significant numbers of construction workers back to work to repair an important part of the nation's infrastructure, would go unfunded.

* Research to sustain the advancement of scholarship in the humanities and the nation's culture would be reduced 16 percent.

* Graduate fellowships to encourage greater numbers of women and minorities into teaching and scholarly research would be terminated.

* Teacher education programs would be cut back 22 percent at a time of rising concern with the quality of instruction in the nation's schools.

* Postal subsidies for nonprofit organizations would be cut 49 percent, which would impose extraordinary cost increases on the dissemination of educational materials and on college development activities which are essential elements of institutional survival.

We believe that such programs should not be viewed narrowly as institutional aid to be reduced or eliminated in times of fiscal stress. Rather, they represent national policy decisions to foster the role of the nation's colleges and universities in developing the human capital required for an increasingly complex and technological society: a role which is all the more critical in the national effort to stimulate economic recovery and strengthen the national defense.

Following are the detailed recommendations for higher education programs in the Education Department budget:

Student Aid

Pell Grants would be reshaped into "a new self-help supplement program (to) replace Pell Grants, Supplemental Educational Opportunity Grants, and State Student Incentive Grants." The student would be required to contribute the higher of 40 percent or a minimum of $800 of college costs through work or loans before receiving a grant under the proposed new program, which is budgeted for $2.7 billion in FY 84 -- a $295 million increase over the Pell Grant FY 83 level. The maximum grant would be raised from $1,800 to $3,000, but eligibility requirements would be severely restricted. By the Administration's own estimates, 400,000 fewer awards would be made than are currently available under the Pell Grant program, and 80 percent of the requested funds would go to students with family income under $12,000. Careful analysis of the proposed eligibility criteria will be needed to determine the impact on needy students at public and independent two- and four-year institutions.

Supplemental Grants (SEOG) would be eliminated. Some 590,000 awards are made under the current appropriation of $355 million. This program is especially critical for students with higher cost of attendance such as those attending independent institutions or public institutions outside their state.

Direct Loans (NDSL) would no longer receive federal capital contributions, although the Administration estimates that payments into the revolving funds from prior loans will provide $550 million for loans to 688,000 students. The current federal capital contribution of $179 million provides an additional 255,000 awards.

State Student Incentive Grants (SSIG) would be eliminated, jeopardizing 240,000 awards and $60 million in funds which must be matched by the states. Although many states overmatch the federal contribution, at least 15 states rely on the federal share for 45-50 percent of total funding.

College Work-Study (CWS) would be increased $310 million from the FY 83 level of $540 million. The number of awards would be increased from 810,000 to 1,155,000, and the average grant would rise to $800 to help students meet stricter self-help requirements.

Guaranteed Student Loans (GSL) would be revised to require a needs test for all recipients (in addition to those with family incomes over $30,000 under the current program) to determine the amount of the loan. In addition, the Administration proposes to double the loan origination fee for graduate students, from five to ten percent. Because of lower interest costs, a $900 million rescission is requested for FY 83; the revised program is estimated to cost $2 billion in FY 84.

The TRIO programs, which provide vital services to encourage attendance and retention of disadvantaged students, would be decimated by the Administration's budget. For FY 83, a $30 million rescission is proposed; for FY 84 a further cutback to $35 million from the current level of $155 million. The stated purpose is to focus aid on institutions with predominantly minority enrollment, but presently seven out of ten black students and over nine of ten Hispanic students not on the island of Puerto Rico are enrolled in majority-white institutions. The proposed rescission would eliminate all 167 Talent Search projects and all 33 Educational Opportunity Centers; the FY 84 proposal would eliminate 1,137 TRIO projects serving 471,930 students (including 185,260 blacks and 79,000 Hispanics) at 695 colleges and 69 community agencies.

Graduate Support would also be eliminated. Graduate and Professional Opportunities fellowships for minorities and women, public service fellowships, fellowships for minorities attending law school, and law school clinical experience grants now total almost $14 million; the Administration's rescission request for this amount would wipe them out in FY 83.

Education Savings Account is listed as a new initiative in the budget for "Education Activities" (a catchall heading to avoid the title "Department of Education" -- legislation to restructure the agency has not yet been worked out, but "will remove education from its inappropriate and unnecessary Cabinet-level status"). Families would be able to make an annual investment of up of to $1,000 per child per year in an account; interest and dividends would be tax-free. Eligibility for the program would be phased out at incomes between $40,000 and $60,000. Savings could be used to pay tuition, room and board directly to a college, but only for full-time undergraduates between ages 18 and 26. The Administration claims the program "will make savings more attractive to lower- and middle-income families, and will not only help finance the cost of higher education, but will also add to the pool of savings available to individuals and businesses through lending institutions, thus contributing to economic growth." The plan would cost an estimated $100 million by FY 85 and $200 million by FY 86.

Categorical Support

All programs would be terminated except the Fund for Improvement of Postsecondary Education (cut in half to $6 million to "reflect the success of the multiplier effect" of federal seed grants over the last decade) and a new budget category: Support for Minority Postsecondary Institutions. This category would include Title III Institutional Aid (slightly increased with a $5 million supplemental request for FY 83 to raise the FY 84 level to $134 million), TRIO (cut by 77 percent as noted above), and the $5 million Minority Institution Science Improvement Program. Title III grants would be refocused on institutions serving minority students.

College library support would be eliminated because it "represents less than 2 percent of the library budgets of over three-quarters of the higher education institutions receiving funds, . . . and because support for research libraries is available from other federal as well as private sources." No new college housing loans would be made, and repayments would be used to retire government debt.

International studies are proposed for termination because "continued support can be obtained from Department language training and area studies funds, Fulbright-Hayes funds, foundation funds, other Federal support, State and local funds, through title I of ESEA as established part of the curriculum, and other funding sources are available."

Except for college and research libraries, international studies, and land-grant aid, all other higher education programs are proposed for termination in FY 83 through reductions. Cooperative Education "no longer falls within the scope of the Federal role for education." The program promotes the development and expansion of cooperative education programs, and thereby encourages institutions to support a particular educational approach or curriculum. This kind of prescriptive posture is not within the federal role. . ." Aid to Land-grant Colleges "accounts for only a minor source of funds for some of the nation's strongest universities; the poorer land-grant institutions, particularly the predominantly black institutions in the South, will continue to be eligible for Title III . . ." Veterans Cost of Instruction would be eliminated because it has "successfully attained (its) objectives."

In other programs of interest to the higher education community, the Women's Educational Equity Act would be terminated, the National Institute of Education would be cut $6 million, and the National Center for Education Statistics would receive a slight increase.

Summary: Higher Education and Related Programs

	FY 83 Approp.	FY 83 Reviser Admin. Request	FY 84 Admin. Request
Title II A (College Lib.)	1.9 M		0
II B (Training)	0.9 M		0
II C (Res. Libraries)	6.0 M		0
Title III (Inst. Aid)	129.8 M	+ 4.8 M	134.6 M
Title IV			
Pell Grants	2,610 M		2,713 M
	370.6 M		0
	540 M		860 M
	176.8 M		0
	60 M		0
	1,102 M	+ 900 M	2,002 M
	194.7 M	+ 39.6 M	39 M
	3 M	+ 3 M	0
Title VI (Int'l. Studies)	21 M		0
Fulbright-Hays	9 M		0
Title VIII (Educ. Educ.)	14.4 M	- 14 M	0

Summary (continued)	FY 83 Approp.	FY 83 Revised Admin. Request	FY 84 Admin. Request
Title IX			
ASPIR	10 M	- 10 M	0
Public Service	1.8 M	- 1.8 M	
Law Enforcement Trng.	0.8 M	- 0.8 M	
ECEA	1 M	- 1 M	
Title X (FIPSE)	11.7 M	- 8 M	8 M
Minority Institutions Science Improvement	4.8 M		4.8 M
College Housing Loans	40 M	- 40 M	0
Land-Grant Aid	3 M		0
Womens Educational Equity Act	6 M	- 6 M	0
NIE	55.6 M	- 6 M	48.2 M
NCES	8.6 M		8.7

Prepared by:
American Council on Education
Division of Governmental Relations

Mr. Simon. Joseph Murphy, who has been introduced by our colleagues, Mario Biaggi, the chancellor of the City University of New York.

STATEMENT OF JOSEPH MURPHY, CHANCELLOR, CITY UNIVERSITY OF NEW YORK

Mr. Murphy. Thank you, Mr. Chairman.

I am here today on behalf of the National Association of State Universities and Land Grant Colleges, the American Association of State Colleges and Universities, and the Association of Urban Universities. These together constitute some 6 million students of the 11 or 12 million students registered in colleges and universities throughout the United States roughly half.

I have submitted testimony on behalf of these three organizations. I would like to make some comments in an informal way.

I understand that the anxieties generated by substantial cuts for higher education in the last year by the administration have been diminished somewhat. However, many of the new eligibility requirements are a source of concern both to the organizations represented here, as well as my own City University.

I would like to observe that this Congress for the last 17 or 18 years has been involved in using higher education as the principal vehicle for upward social and economic mobility for hundreds of thousands of people in America.

Principally, but not exclusively, through public institutions, the Congress has taken the position that it must make available to a larger and larger number of Americans opportunities in higher education, not nearly as a reflection of the fact that such institutions provide occasions for people making it, as it were, economically and socially, but also because of the tremendous contribution they are able to make through a more and more complex economy and society, particularly after the Sputnik era and the tremendous investments that were made at that time with the National Defense Education Act. It was virtually a revolution in higher education in the United States.

It had a further impact and a very important social impact on the social policies advanced by Congresses ever since. That impact was to diminish the rigidities which existed among classes in American life. It advanced the single most important democratic principle on which the country was founded.

Many of the proposals being made now and the tendencies that have been developing in higher education have been tendencies which have suggested a diminution of the ability of people to move from working class, from immigrant status, from lower social and economic places in our society in an upward way, in a fluid way.

These policies are reflected in some of the proposals presently being made by this administration. I think some of them are simply anomalies. I think some of them are carefully thought through devices or holding in line and even diminishing the aspirations of millions of Americans to do what people have always done, and done before them, which is to make it.

My own university, consisting of 176,000 students ranging from every socioeconomic group, but principally poor working class and

lower middle class, is in fact the largest black university in the world. It is the largest Jewish university in the world. It is the largest Catholic university in the world. It is the largest Oriental university in the United States.

It has among its numbers diverse groups such that on one college campus alone, City College of New York, 24 different racial, religious, ethnic groups of various different national origins are represented. It is in fact as rich a panoply of cultures, aspirations, languages, dreams, hopes, as anyone can imagine.

Twenty thousand of our students are on welfare, over 40,000 students come from homes in which either one or both parents are immigrants, and 80 percent of our students come from homes in which neither parent went to college.

Clearly, for this population going to college means getting out of the ghetto, getting out of dead-end jobs and moving up. Any proposals and any changes that are made here have an effect on the lives and aspirations of these people. These, of course, are statistics in various ways which apply to most of the institutions represented here and represented by me.

I would like to only use one or two examples of these. These are not dramatic examples. Clearly, if some of the proposals made with regard to TRIO are held to, the university which is somewhat less than fully minority, more than half minority, would not be eligible. City University of New York would not be eligible, for example.

If some of the proposals with regard to work study constituting a replacement for basic grants were to be instituted, it would mean that students who had been poorly prepared, very large numbers of them, requiring remedial and compensatory work, would have to spend increasingly larger periods of time at work, assuming that those jobs could be found, assuming also that the administration's proposal to reduce minimum wage levels for those jobs were not to be implemented.

A rather cynical suggestion would appear that on the face of it, it means that poorer students would have to work longer hours for the same or less amount of money. I think it is important to keep in mind the profile of many of these students. They come to colleges and universities with a considerable trepidation, fear, anxiety, and already have to overcome a vast variety of psychological and cultural resistances to the idea of coming to school.

To burden many of them, in addition to the kinds of problems they have with regard to remedial education, with additional work burdens is not the same as requiring the selling of magazines door to door to work yourself through college, a fantastic image which may have applied to an earlier era in our culture. But anyone who would suggest that someone can earn the amount of money that is required to go through school does not really face reality.

Another issue, and it may be a minor one, reveals a certain picture of who goes to college in America that is false. The education savings account, a proposal by the administration, which suggests that somehow families who can save some money will be able to be forgiven some small portion of what might be taxed, is limited by a number of qualifiers that depict the college student that doesn't exist any longer.

More than half the students in the City University of New York—and this would be true of virtually any urban institution in America—are over the age of 28. They would be excluded from such marginal opportunities as are permitted under this proposal.

Finally, I would like to say that in addition to the social and economic concerns that we have with regard to our students, it is important to take into account that we have established certain kinds of expectations for our people for whom going to colleges and universities was never part of their traditional culture or expectation.

To now begin cynically to dismantle this enormous and rich and unparalleled structure that the Congress has put together during the past two decades, a capstone on a social revolution in the United States that is now 50 years old, would be to take out from under the floor hundreds of thousands of people the one single and most important opportunity they have for making it in America.

Thank you.

Mr. SIMON. We thank you very much for your testimony.

[The prepared statement of Joseph Murphy follows:]

PREPARED STATEMENT OF JOSEPH MURPHY, CHANCELLOR, CITY UNIVERSITY OF NEW YORK (CUNY)

Mr. Chairman and members of the Subcommittee on Postsecondary Education, my name is Joseph Murphy and I am Chancellor of the City University of New York. I am deeply grateful to you for providing an opportunity for the several groups I represent today to have their views heard regarding the impact of the Administration's budget proposals for FY'84 on institutions of higher education.

The City University of New York is the third largest public university system in the country, and it includes in its activities a wide array of research programs and graduate education. The students at our campuses are deeply dependent on the federal student aid programs in operation today; for example, we have about 80,000 students who receive Pell Grants, making us the largest Pell Grant institution in the country. Further, CUNY is an urban university — meaning far more than its being located in a great city, but describing the special nature of the City University, and my participation in their associations. I have been asked to speak for the National Association of State Universities and Land Grant Colleges (NASULGC), the American Association of State Colleges and Universities (AASCU), and the Association of Urban Universities (AUU).

Mr. Chairman, the Administration has adopted an approach to education funding this year that is different from the meat ax, cut and cut, save and save policies proposed in earlier years. Instead, the Administration this year has called for, first, a wholesale reorientation of student aid programs coupled with level funding, second, a number of commendable increases in research support; and third, a laundry list of cutbacks in educational training and demonstration programs. Some of the proposed changes are good. More of them, unfortunately, are bad or at least questionable. I will address each area in turn.

DEPARTMENT OF EDUCATION - STUDENT AID

First student aid. Overall, the budget request in this area is about level with last year. This is certainly an improvement over previous Administration requests for billions of dollars in student aid cutbacks, requests which Congress has wisely turned down time and again. On the other hand, I must note that in constant dollars, need based aid has been reduced by 24% since FY'80, and, accepting Administration estimates of inflation, program purchasing power would decline another 5% under the proposed budget. Inflation has been taking its toll on the campus — median undergraduate resident tuition at NASULGC institutions has increased by 32% in the past two years,. Therefore, level funding, in our opinion, is neither level nor sufficient. More on that later.

PELL GRANTS

Of equal importance to the total student aid funding level proposed is the Administration's proposal to reorient student aid programs. While Pell Grant funding and the maximum Pell Grant would both be increased by the President's budget (funding would be raised by $294 million and the maximum grant by $1200), the tradeoff would be a loss of SEOG, NDSL, and SSIG, coupled with severe new restrictions on the income levels served by Pell Grants. Although there are some elements of the proposal we strongly endorse, we believe in general that such a major overhaul of student assistance programming would best be left to the normal reauthorization process this committee will begin next year. We also find many elements of the proposal questionable.

For example, we are concerned about changes proposed in the Pell Grant family contribution schedule that would require moderate income families, families with incomes between $12,000 and $25,000 to contribute more toward their children's education. This would be in addition to a new 40% self-help contribution by the student. The first major change is in the assessment rate on the first $5,000 of discretionary income of the family — increasing from 11% to 18% and resulting in an inreased contribution of $350 — from $550 to $900, or an increase of more than 60%. At CUNY, this would mean a loss of about 6,000 students from the Pell Grants rolls. Nationally, it is estimated that there would be a reduction of 400,000 Pell Grants.

Earlier we noted the positive suggestion that the maximum award be increased to $3,000 — however, it should be noted that such increases would be valid only for students attending schools with a cost of more than $7,000. About 80% of the colleges and universities, including community colleges of the United States have annual costs well below that figure. Few moderate income families, therefore, would be able to benefit from the increase in the maximum, while many would lose grant aid at the low and medium cost institutions for reasons just discussed.

Second, we should look at the new so-caled self-help provision itself. Under this provision, every student would be obliged to contribute either $800 or 40% of education costs. Mr. Chairman, as you know, the Pell Grant program was designed to provide a floor level of aid to entice students from very low income families to apply for entrance to colleges and universities, to render invalid the belief that the absence of funds precluded them from moving forward in their education. The concept was for Pell to come first, and then be

supplemented with other forms of student assistance, including self-help forms. We believe this is an important concept and should not be lightly discarded.

Besides which, a self-help element of 25% of the total student budget is already assumed in Congressional student aid policy. Furthermore, students are already providing substantial self-help, estimated at approximately one-third the total cost of education — not much elow the 40% proposed by the Administration. But what the Administration proposes is rigid, inflexible, and without concern for the particular needs of individual.

COMMUTER ALLOWANCE

On a much more positive note, I want to highlight the Administration's proposal to increase the living cost allowance for independent students living off campus from $1,500 to $3,000. This provision would increase the Pell Grants of 34,000 independent Pell Grant recipients at CUNY. The Administration apparently also has dropped plans to reduce the living cost allowance for dependent students living at home below the current $1,500. Although CUNY considers the $1,500 figure for dependent students unreasonably low, we are pleased that the Administration has taken thee steps, and we note these policies can and should be incorporated immediately into the current Pell Grant system.

It may seem at first blush that this issue of the cost of attendance is a concern solely of urban institutions, particularly community colleges that have no dormitories or resident students. The fact is that on most of the major public campuses today, and a considerable number of private schools as well,

very large percentages, often more than half the students, live off campus. If the college's tuition is costly enough, the allowance of $1,500 does not make too much difference, but at almost all public institutions this unrealistic sum coupled with tuition and fees is then sliced in half by the "half-cost" provision, which means that many very needy students are deprived of funds necessary for them to attend colleges. Members of the subcommittee will recall that the 1980 amendments called for an increase in the allowance because of its importance to so many students and we all upon the Congress to provide sufficient funds to permit the enhancing amendment to go into effect.

CAMPUS-BASED PROGRAMS

As noted earlier, the tradeoff proposed by the Administration for a large Pell Grant appropriation is the elimination of SEOG, NDSL and SSIG. We do not think this is warranted. Such cutbacks would resut in the loss of more than one million grants and loans that go primarily to needy students. At CUNY, the total loss of SEOG would be $4 million to needy students. A Council of Graduate Schools analysis shows that 20-25% of Black and Hispanic college seniors receive SEOG's during their college senior years. Only approximately 10% of white students receive these grants. Eliminating them, therefore, would have a disproportionate effect on the most needy minority students and could reduce their prospects for graduation and graduate education. CGS also notes substantial participation by graduate and professional students in the NDSL program. Twenty percent of NDSL funds went to graduate students, a large number of whom are minorities, and most of whom have incomes substantially lower than recipients of GSL loans.

On the other hand, we welcome the President's call for a large increase in College Work Study funds, from $540 million to $850 million. Two concerns shoud be noted, however. First, it is far from certain that the jobs to support such an increase are available at this time either at colleges or in the nonprofit sector. Second, there are serious educational questions about imposing unreasonably heavy work requirements, particularly on underprepared students in the early years of their college experience.

GUARANTEED STUDENT LOANS

Two major changes are proposed in Guaranteed Student Loans; extending needs analysis to all income levels and increasing the origination fee from 5 percent to 10 percent. The extension of needs analysis to all income levels would have the effect of either eliminating or reducing the loans available to many middle income students; in fact, it is questionalbe whether banks will make the small loans dictated by a strict needs analysis system. Also, the proposal would have an especially heavy effect on independent students, most of whom earn less than $30,000 and are thus currently exempt from needs analysis.

The GSL program has become the lynchpin of graduate student support since other forms of graduate supprt declined in the mid-seventies; from a high of 51,000 pre-doctoral and traineeship awards in 1966 we have descended to support of less than 2,000 today. Last year, approximately 525,000 graduate and professional students borrowed about $1.8 billion to meet their costs of education. To have them pay a higher origination fee would require them to borrow more funds while having larger debts to repay later on. There is a strange irony in a proposed national policy that points to the shortages of trained

manpower and at the same time erects obstacles for the very students we need to resolve our problems.

SUPPLEMENTAL FUNDING, FY'83

Mr. Chairman and members of the subcommittee, may I now summarize the views of these associations with regard to student aid and related programs. We join with the American Council on Education and a dozen other associations in requesting the Congress to consider a supplemental appropriation for FY'83 of $369 million to bring funding of these programs to the reconciliation levels. This would be $200 million for Pell Grants, $15 million for SEOG, $10 million for Work Study, $107 million for NDSL and $17 million for SSIG, as well as $15 million for TRIO. Such additional funding would allow the Pell Grant program to be funded at the $1,800 maximum and obviate reductions in the awards of most participants in the program. It would allow additional grants for needy students in the other programs, and perhaps of special importance, would allow the TRIO program to reach 57,000 more disadvantaged students.

We note that the supplemental request could be funded by a $900 million GSL rescission, as requested by the Administration. Interest rates having come down rapidly this past year, the GSL program's cost to the government has dropped greatly. This would still leave a $477 million saving in the FY'83 budget from the original total cost for higher education.

FY'84 FUNDING LEVELS

For FY'84, we will urge the Congress to consider funding programs at least at the reconciliation levels agreed to two years ago. Such funding would include $3 billion for Pell Grants, $370 million for SEOG, $550 million for College Work-Study, $286 million for NDSL, $77 million for SSIG and $170 million for TRIO. The $3 billion funding proposed for Pell Grants would merely allow Congress to increase the maximum grant to about $2,000, or increase the cost of attendance allowance as proposed by the Administration, or some combination of the above, while maintaining current eligibility.

Mr. Chairman, in addition to the specific changes the Administration recommends as part of the budget proposal, the Department is preparing legislation that would implement these changes and several others by amending the Higher Education Act. Among these proposed amendments are several substantive revisions in the law,such as an increase in the NDSL interest rate from 5% to 9%, elimination of the $5 Pell grant administrative allowance, and a complete elimination of the SEOG program. The Department has maintained in budget briefings that while no funds are requested for SEOG, campuses could still use their ability to transfer up to 10% of Work-Study money into SEOG. However, this "technical" amendment's bill shows that this is obviously not the case. We strongly oppose these three proposals.

TRIO

Mr. Chairman, although I included the TRIO program in the listings just above, it calls for special attention outside the student aid programs to

which it quite appropriately belongs. As you know, the Administration's proposal for TRIO would be to focus its attention primarily on historically minority institutions, while cutting the total funding by about 77%. Let me state in hard numbers of students and dollars what this would mean for our institutions. NASULGC institutions host 243 TRIO projects. We assume that the 18 Special Services projects serving 5300 students at our minority institutions would continue. 105 Special Services projects serving 31,700 students would be eliminated. Further, 120 Upward Bound, Talent Search, and Educational Opportunity Centers, offering services to 43,000 students, would be discontinued. NASULGC institutions would lose $32,368,355 all dedicated to providing special services to disadvantaged students.

At 177 AASCU institutions there are 291 TRIO projects. There, too, 21 Special Services projects serving 5,540 students would continue at minority institutions. However, 123 Special Services projects serving 32,900 students would be eliminated. Further, 147 Upward Bound, Talent Search, and Educational Opportunity Centers serving 45,500 students would be eliminated. AASCU institutions would lose $32,775,000 now used to assist disadvantaged students enter college, maintain their academic standards there, and move forward to graduation.

I doubt Mr. Chairman, that anyone on this Subcommittee needs to have the University President lecture to them about the value of investing in people. Were it not for this Subcommittee's understanding, the programs discussed here today might not have come into being and been sustained over the years. The problem we face now, however, is that those who questioned the programs from the start and challenged the value of the program's success throughout their

history, regrettably, have, as a weapon the justifiable national concern with budget deficits.

It is difficult to know what metaphor might be used to persuade the Congress and the people they represent that this is precisely the wrong time for cutting back on support in these programs. Perhaps a metaphor from poker applies. We are holding an unusually good hand. We have the cards and we know the odds. To throw them in at this point and eliminate ourselves from the opportunity from winning would be foolhardy. Perhaps we should adopt the recently popular battle cry -- "Stay the course." Quite seriously, the track record of programs like TRIO, which have made it genuinely possible for young disadvantaged men and women in our country to have the only chance they might have had for breaking through barriers established primarily by dollars or the lack thereof, fulfill their opportunity and our own through a college education. We are obliged to consider the cost, not only in dollars which can be priced out, but in the total nature of our society of not continuing to fund these programs.

SOCIAL SECURITY

Mr. Chairman, many of us have short memories, or at least become used to new things very quickly. When we are talking of federal funds for students going to colleges we do not any longer take note of the phase-out of Social Security benefits. There will be this year 160,000 recipients in the program, down from 300,000, and reduction in costs from $800 million to $400 million, down from a peak only a short time ago of $1.6 billion. It will be some time before studies are conducted that determine just who lost these funds and what

the effects were on their attending school or at what price. But, when the totals are drawn up of what the nation is spending on higher education, those funds should be taken into account as well.

EDUCATION SAVINGS ACCOUNTS

Mr. Chairman, one final issue relating to the student assistance budget will be considered in the Ways & Means Committee, but should be a subject of your attention as well we believe — the Administration's proposal to establish Education Savings Accounts, the proceeds of which would be eligible for tax benefits if and when expended for educational purposes. As described in the budget, educational expenditures from these accounts are only to be eligible for tax benefits if they are made by, or on behalf of, full-time undergraduate students between the ages of 18-26. The members of our associations, particularly responsible for urban institutions, take exception to this proposal. We find it incredible that in 1983 the Administration still assumes that the typical college student is precisely what he was in the 40's — a fulltime college student fresh out of high school pursuing a higher education with a specific degree in mind.

For a decade now, testimony before this subcommittee has shown this vision of American higher education as hopelessly outdated. Today's student generally is none of the above things. He/She is older, has had more life experience, is more likely than not to be independent, employed, and pursuing higher education with an intensity that would have surprised his predecessor 40 years ago, and with a more diffuse set of goals. The statistics are few. Between 1972 and 1988, while the "traditional" college-age cohort of students between 18 and 22

were increasing in number by 13%, their seniors among student bodies were increasing at a far greater rate. In that same period, the 22-24 age group grew by 29%, the 25-29 age group by 33%, the 30-34 group literally doubled, and the 35 group by 54%. And these are not statistical tricks, of large increases on small bases. In 1972, the 25-29 age group already contained a million and a quarter students, and this grew by over 400,000 in the remainder of the decade.

The typical college student is no longer a full-time student. In 1976, according to a report issued by this Subcommittee, the part-time college student was nearly a majority of those attending universities. By now that percentage has grown in every sector of higher education, and in the nation's urban universities and community colleges, part-time study is the norm. In fact, we have just received figures from a quick survey of major urban universities who were asked how many students of theirs would qualify for Educational Savings Account benefits and how many would be excluded by failure either to meet the age limit or the full-time enrollment limit. Mr. Chairman, only 40% of the full student body enrollment at our urban universities would even begin to qualify — and this does not take into account the 11 further limitations that would be imposed by the income eligibility requirements.

Earlier in this testimony I noted that we become accustomed to things rather quickly. In our perception of who our students are, we are slow to perceive. Some of us still harbor a sense that part-time study is something frivolous, or less than educationally appropriate, and that someone returning to the campus after a decade on the job or a generation in the home is anomalous. It just is not so. In the nation's community colleges and urban institutions it comes pretty close to being the rule.

Mr. Chairman, this is a good thing. It means that more of our nation's citizens are taking advantage of educational opportunities with no loss of what was admirable in the past. The job we have before us, to restore America's capacity to compete, will be done in the context of a world-wide technological revolution only beginning. Our educational system will operate in a continuing process in the life of many citizens. In many of the campuses that comprise the City University of New York, and especially in many other urban institutions and community colleges that is a fact of life.

If the tax committee is going to be used to encourage study and retraining, it must be directed at those with the greatest need, and those who will take greatest positive advantage of it. Should the tax committees begin to give serious consideration to a education savings account, we hope the education leaders in the Congress will testify before that committee to correct the misconceptions inherent in the Administration's proposal.

FOREIGN LANGUAGE & AREA STUDIES

Mr. Chairman, my colleague President Olsen of the University of Missouri will direct his attention to other programs within the purview of this committee that are of special concern to research intensive universities, and I ally myself and the associations I represent today with his remarks concerning research libraries and education research as well as student aid programs that I have touched upon already. I wish, however, to be specific in my comments regarding the proposed elimination of Title VI and Fulbright-Hays support, funded at $36 million for FY'83. I have attached a table at the end of this testimony that breaks down in detail how those funds are allocated among domestic programs and overseas programs, to research centers, fellowships, etc.

This proposal by the Administration is one more that mystifies in the light of the realities in which we must live today. It was in 1976 that your former colleague, now Governor Al Qui of Minnesota, stood in the well of the House of Representatives to speak on an amendment to expand the Title VI program to include citizens programs. Mr. Qui lectured his colleagues on the foolishness of a nation that fails to train its young people so that they can deal with foreign nations in all contexts. He noted that when the United States became involved with Viet Nam, in what was to become a cruel and tragic experience for all of us, there was only one person employed by the federal government who was capable of dealing with the Vietnamese language.

Each of us has heard any number of anecdotes centering around the thousands of American salesmen in Tokyo who cannot speak Japanese, and the Japanese salesmen in New York who speak fluent English. Obviously, our international trade problems are more complex than skill in foreign languages, but they are not separate from them.

Clearly, this country's ability to know and understand the world in which we live and operate in is threatened by the Administration's proposal to eliminate these international programs. At a time when critical economic insecurity decisions must be made based on the best quality of information available, we must not cut ourselves off linguistically and in cultural understanding from the rest of the world.

These funds, just approved by Congress in December, support the programs at the 90 National Research Centers for Foreign Language in Area Studies, and the training of 700 graduate students who will become the next generation of for-

eign area specialists. They provide for the grants to renew faculty expertise by visits and research abroad, and for the development of new foreign language text and grammars especially needed in the less commonly taught languages. Finally, they assist in important undergraduate outreach programs to reach our own American public informed and knowledgeable about our interdependent world and its myriad economic, political, and social problems.

We must stress that these programs are of excellent value for the small amount of federal dollars involved. For example, for each federal dollar invested in these 56 National Research Centers, our U.S. colleges and universities invest between $8 - $10 of their own resources. However, federal dollars are the crucial "seed" dollars needed to insure other support, since most private foundation funding has long since been withdrawn.

We hear much about stability in funding and it is no more valid than in this program area. These programs create a national resource that can be developed only over a period of years. They cannot be shelved only to be brought out when times are better. Expanding this nation's knowledge and expertise in Soviet studies, in African language and cultures, and in a Third World market places — to name but a few key areas — is one of the mechanisms we need that will build better times.

TITLE XI

Mr. Chairman, while I represent the whole array of concerns of the institutitions and the associations I speak for today, I will again don a hat of the chancellor of the nation's largest urban university. Three years ago, this

Committee devised and helped bring into being Title XI of the Higher Education Act — the urban grant university program. We are more than aware of the fiscal constraints in which all government operates today, and concur that programs in which substantial investment has already been made have a prior right to consideration over unfunded and small categorical programs. Still, the reasons for enacting Title XI are all the more significant today, and we continue to seek initial funding for that program. We request this committee in its recommendations to the committees on budget and appropriations suggest initial funding of about $10 million for Title XI for FY'84. Its authorization is $45 million, but that must be for a later time. The need for enhanced cooperative efforts between the city and the university to meet urban needs grows daily, and that amount of funds in the Urban Grant Act would initiate much activity. May I request, too, that when the reauthorization process gets underway, members of this subcommittee work to have Title XI reauthorized.

RESEARCH IN THE "SCIENCE AGENCIES"

For other elements in the budget not within the purview of this Subcommittee I will be brief. The research intensive university is a complex organism with support funds flowing from many sources and varied activities not always apparent. The determination by the United States government to have the universities become the centers of research and development — particularly of basic research — rather than choose another series of mechanisms for this has created a special phenomenon on the campus.

The relationship between the federal government agencies and the universities is symbiotic. The government in behalf of the nation needs new knowledge,

new ideas, new systems, new methodologies to enable it to fulfill its obligations to the national welfare and the national defense. The universities, in turn, must have a constant infusion of funds to enable them to maintain the complex research systems they have constructed.

What appears difficult for many in government to grasp is the interrelationships among the seemingly separate parts of the research university. Great chemistry research can rarely exist today in isolation from excellent mathematics departments and other science departments. Further, the somewhat inexplicit term "behavioral and social science" carries with it usually an outmoded notion of what is studied and what results from studies in these increasingly technological areas of research. There is ever a danger that rather than learn from we will copy the folly of our communist adversaries who have repeatedly permitted ideology to dictate educational and scientific research policies. It has been to our advantage that they have made these errors and now are generally behind the West in most areas of contemporary science, even if they had managed to focus their attention with some creativity in the area of military weapons.

I offer this complex introduction as a means of explaining my comments regarding the science budget for 1984. In absolute terms, it is a good thing that NSF's budget would increase by 18%, that basic science research would increase by similar amounts in agencies like NASA and the Department of Energy, that the Department of Defense budget's increase is not without additional funds for fundamental research to be conducted on university campuses.

Such additional funds will allow for increased instrumentation, established as too often obsolescent, and at least behind the state of the art used by industry. Funds will provide new predoctoral fellowships at NSF and, undoubtedly large numbers of research assistantships all over the country for grants made to faculty working closely with their graduate students. There is nothing but praise for the officials in the federal government, particularly Dr. George Keyworth, the director of OSTP, who has promoted the idea of the need for increasing funding in these areas.

Why must we then complain? Well, we do not. We merely ponder and raise concern. While the social sciences are no longer under assault as they were two years to the point where they appeared marked for extinction as far as federal support was concerned, they have a mixed record in the requests of the Administration ranging from some decent increases, some hold the line, and some decreases.

Perhaps it is a question of balance. The increase in DOD is better than 29%, from $23.2 billion to $29.9 billion. In all of the Department of HHS the increase is about $100 million, from $4.3 billion to $4.4 billion. The Department of Agriculture suffers a small, but real decrease in research programs. EPA has a decrease from $241 million to $208 million. Interior drops from $373 million to $329 million. The Commerce Department drops as well. A program like Sea Grant, which cost about $40 million at its peak, and was lauded by industry concerned with the kinds of activities affected by Sea Grant universities, is marked once again for elimination.

Raising these questions may strike some as looking the proverbial gift horse in the mouth. But we do not have to be afraid. The federal government is not providing largesse to universities or any other recipients of funds. When it makes a grant, it does so in behalf of the citizenry in the belief that knowledge or whatever else is produced from that grant ultimately will redound to the benefit of the taxpayer whose funds after all are being used.

In a recent discussion between federal and university officials on a matter of high consequence in the administration of grant funds, one of the officials wondered aloud "who is looking out for the welfare of the total institution?" It was an astute and significant question. The agency officials granting funds to universities to conduct research in physics or chemistry have the responsibility for buying the best science they can find. Similarly, when the Heart Institute makes a grant, it is to obtain more knowledge that ultimately will reduce the incidence of heart disease. We thus have a congeries of federal agencies and their officials, each using the university — and it wishes to be so used — to effect national purposes. But there is no place, and, perhaps we may say thank God for that, in the federal government that looks to what is happening in terms of the welfare of the total institution and its capacity to perform its duties and responsibilities best.

BIOMEDICAL RESEARCH AND "COSTS"

For the past year, there has been a discussion, sometimes heated, between the officials of NIH and the academic health centers and independent centers of biomedical research over the question of indirect costs. In last year's budget

the Administration proposed a 10% across-the-board cut. It later proposed some other versions. Congress chose instead to provide a major increase of funds over the President's request, and to prohibit cutting indirect costs while advising the agency and universities to come together to deal with the problem. This year's budget proposes a cut again, though unspecified in methodology this time. To a degree, it appears that the Congress itself serves as university's monitor and protector. It conducts hearings looking into the possibility of misuse of funds, and pushes the universities to the maintanence of scringent standards of integrity, but it also intervenes when it sees incompletely thought out proposals on their way to harm the university enterprise. It comes down to balance.

Mr. Chairman, and members of the Subcommittee, we do not presume to ask you to assume the burden of dealing with the impact of changes in Medicare regulations on the ultimate fiscal viability of academic health centers or university hospitals. What we wish to emphasize is that what happens at the university hospital or in the academic health center can determine to an inordinate degree whether a disadvantaged minority young men and women will have an opportunity of attending colleges and universities. The relationships are not direct, but the university is a total integrated mechanism. If the great private universities of this country are compelled to reach unreasonably into their endowments to make up for losses caused by regulations affecting the health center, funds that for many years have gone to help supplement federal and other dollars in enabling those people to achieve fine education will be denied for that purpose.

STATE SUPPORT

In the public sector circumstances are somewhat different, but the current recession has had a remarkable effect on the fiscal stability of state budgets. We hear about the pressures on Michigan and on Oregon and on others, but the fact is that in the past year as many as 40 states would have run in the red were it not for remarkable moving about of dollars within the law postponing activities that should not have been postponed and other fiscal legerdemain tHat had to be conducted to fulfill state requirements of balanced budgets. Public universities that had been able to assume or at least depend on different kinds of support from the state may have already experienced cutbacks in faculty and operating expenses, and in some cases, in students in many states.

Not only is the university an integrated whole, but so is our society. The cuts in grants to elementary/secondary education health and other domestic programs are taking their toll. As the states try to make up these cuts with state funds, they have turned to other parts of their budgets and cut higher education even further.

Of course, one way of reducing costs of higher education in public colleges is by raising tuition, and this makes it even harder for students to afford college at a time of declining family resources and cutbacks in federal student aid. At NASULGC institutions our full-time freshmen enrollment declined by 1.7%, graduate students by .9%. At black land-grant institutions full-time freshmen enrollment dropped by 7.6%, and graduate students by 5.4%.

While the numbers maybe less impressive than the total recently published by our colleagues in the private sector, they should be very frightening, particularly with regard to our concern for equity for minorities and other disadvantaged students. If we think in terms of gross numbers, the public sector enrolls 80% of all students and percentage drops in enrollment affect thousands upon thousands of men and women and their families.

MAINTAINING PROGRESS

It is only 25 years since NDEA passed, another bill that came out of this Committee's thinking and efforts. From that time until now there has been a genuine revolution in American society, one as prideworthy as the one 200 years ago that enabled us to become an independent nation. For a very long time, the liberties and freedoms and opportunities that were written into our basic historical documents, that our children recited in school each day and that we all believed in, were not always a fact for certain segments of our population. To be sure, this was the most extraordinary nation on the face of the earth that regard freedom and opportunity, and there are few sitting in this room today who are unaware of the grandfather or grandmother who came to this country in total poverty running from one form of slavery or another, and here we are, remarkably prosperous and remarkably free.

But in the past 25 years there have been among us those who refused to accept 90% as good enough. They insisted that everyone in this country had to have a fair shake at what it offered, and they knew as we know that the magical key to most of it was education. Work-Study, then SEOG's and NDSL, then Pell

grants, then expansions of those. We were getting awfully close weren't we. This was happening not only in student aid but in what was being accomplished at NIH and ADAMHA. We could empty out the mental institutions in time, and we could find solutions to pain and disease.

We know that there is not an endless amount of dollars, and we also know which dollars are investments in which questionable expenditures for heaven knows what. Perhaps it matters less whether such a attacks on education are based on ignorance, madness or folly. We turn to the Congress to simply call the play right or wrong, and tc compel our government's attention to the legitimate needs of its citizenry. Mr. Chairman, you and your colleagues on the Subcommittee have served the nation well. We are mindful of that each day of our work and we are grateful to you for that, grateful also for the opportunity to come before you today. Thank you very much.

DEPARTMENT OF EDUCATION: INTERNATIONAL EDUCATION & FOREIGN LANGUAGE STUDIES

TITLE VI - Domestic Programs

Part A	(in thousands) FY 1982	FY 1983
National Resource Centers Funds 90 centers at average cost of $117,177	$10,182	$10,600
Foreign Lang. & Area Studies Fellowships Funds 705 fellowships at average cost of $8,500	5,900	6,000
Undergraduate International Studies Expect 17 continuations and 35 new awards in 1983, ranging from $40-80,000	1,940	2,300
Research Program Funds about 25 projects, averaging $45,000, for teaching materials in foreign language and area studies in less commonly taught languages	1,164	1,100
Part B		
Business Programs New matching grants program; first awards by late August, 1983, to fund about 30 projects, with grants up to $30,000 each	00	1,000
TOTAL	$19,200	$21,000

FULBRIGHT/HAYS - Overseas Programs	FY 1982	FY 1982
Group Project Abroad Funds 19 projects at average cost of $85,000	$ 1,462	$ 1,608
Faculty Research Abroad Funds about 40 awards at $18,000 average	652	723
Foreign Curriculum Consultants Funds about 12 projects at an average of $17,500 to assist foreign specialist in U.S. institution or state dept. of educ.	204	211
Ph.D. Dissertations Abroad Funds 98 awards at an average cost of $17,000	1,656	1,668
Special Bilateral Projects Funds special binational agreements, about 11 projects, including 17 U.S. students to study for. language in PRC through CSC/PRC agreement	805	773
Administration Support Services	20	24
TOTAL	$ 4,300	$ 5,000

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ANNEX TO CHANCELLOR MURPHY'S TESTIMONY

The Urban University, it's students

and the Educational Savings Account Proposal

The Association of Urban Universities has polled its member institutions to determine what portion of their total undergraduate enrollment would be eligible for the benefits of the Administration's proposed Education Savings Account plan. In the Association's request for information, only the numbers of students who were in (and outside of) the specified age group, and who were (and who were not) full-time were requested. No effort was made to further screen the eligibility numbers to reflect those who would also be excluded by income factors.

Taking into account only the age and full-time enrollment requirement, out of the first eight urban universities reporting to the Association, with an aggregate enrollment of 122,626 students, less than 40% were eligible for the Administration tax break proposal. 48,673 students in these eight institutions were within the eligible age group and were also full-time students. This evidence, set forth in the following chart, underscores Chancellor Murphy's testimony that the full-time student between the ages of 18 and 26 simply is not the "typical" college student at a large and growing number of America's universities.

	All Ages	18-26	under 18, over 26
Total Enrollment	122,626 (100%)	73,196 (59.7%)	49,430 (40.3%)
Full-time	62,614 (51.1%)	48,673 (39.7%)	13,491 (11.4%)
Part-time	60,012 (48.9%)	24,523 (20.0%)	35,489 (38.9%)

Mr. SIMON. James Olson, who is no stranger to this subcommittee, president of the University of Missouri.

STATEMENT OF JAMES OLSON, UNIVERSITY OF MISSOURI, COLUMBIA, MO.

Mr. OLSON. Mr. Chairman, members of the committee, I am delighted to be here, first as the executive head of a multicampus institution of higher education diverse in its student enrollment and educational responsibility, and then representing the Association of American Universities, the National Association of State Universities and Land Grant Colleges, and the American Association of State Colleges and Universities.

My assignment this morning is basically to offer the perspective of the research university in the areas of graduate education, research and international programs, and to indicate how the proposed Federal budget will affect these missions.

The fiscal year 1984 budget proposals contain much that is encouraging to the universities that are responsible for most of the Nation's basic research and advanced training.

We are especially encouraged by the recognition accorded the importance of fundamental research, research training, instrumentation, and science and math education in the budget of the National Science Foundation, as well as in the programs in the Department of Defense. The linking of these elements constitutes a strategy for——

Mr. SIMON. Excuse me, Dr. Olson, for interrupting. Unfortunately, I am going to have to go to the Rules Committee. We have a science and math bill that we have to get approved by the Rules Committee this morning. I am going to have to get over there and testify. I will be back. It is not a lack of interest.

I particularly want to acknowledge the presence of a former constituent of mine, Rich Stephens. I hope to be back before he testifies. I appreciate the understanding of the panel. I will be back as soon as I can.

Mr. KOGOVSEK [presiding]. Please proceed.

Mr. OLSON. Thank you, Mr. Chairman.

As I was saying, the linking of these various elements constitutes a strategy for building scientific and technological excellence which has enthusiastic support from the academic community.

We are heartened by the observations of Mr. Keyworth, the President's Science Adviser, who stated that the administration's discussions of ways to improve the Nation's industrial capacity always came down to the realization that we have to worry about tomorrow's scientific talent.

Having said this by way of general comment, I do want to mention in the time allotted three or four serious concerns we have about the way in which the proposed Federal budget will seriously impact the university's ability to produce the talent required to meet this Nation's challenges at home and abroad.

First, in the area of research, we are alarmed by the prospect that NIH, in terms of real dollars, is taking a cut that will inevitably retard the progress of health research. The proposed budget includes an increase of only $72 million for NIH. To provide the

same level of research support as in 1983, NIH will need $482 million. The loss to biomedical research will be felt not only in our institutions, but in the health of the Nation.

We are distressed also because the budget once more proposes to reduce institutional indirect cost recovery. Last year the Appropriations Committee rejected a similar request, and we are hopeful that they will do so again this year.

Another serious implication for higher education in the proposed Federal budget is the proposal to eliminate funding for research libraries under title II-C. As a matter of fact, I am concerned about the totality of the library support provisions in the budget. I am concentrating on the research libraries.

This really defies reasonable explanation. The research library program has enabled America's best research libraries to preserve, enhance and make available to scholars some of our country's most valuable documents. The annual appropriation of $6 million is small, but significant sums go to each qualifying institution so that the program is able to have a beneficial effect.

Let me move now to matters affecting graduate education. The compression effect of all federally financed student aid programs cannot be underestimated. Programs which have been funded for up to 20 years cannot be ended without causing displacement in all segments of higher education.

As I have talked with graduate students in recent days at the University of Missouri, I have found that for graduate students considering programs that require 4 or more years of advanced study, some with a small opportunity for financial return, the additional burden of uncertain financing opportunities from the Federal Government may be sufficient to encourage the choice of an alternative, better paying career, or one not requiring long graduate study. Thus, the country may ultimately be losing young minds and future scholars to the current prevailing uncertainty regarding long-term financing of graduate study.

Specifically, our gravest misgivings fall into two areas. One is the proposed increase in the GSL origination fee from 5 to 10 percent for graduate and professional students.

GSLs currently go to roughly 525,000 graduate and professional students who borrow up to $1.8 billion to finance advanced studies. Graduate students make up approximately 40 percent of the GSL loan volume. On the average, graduate students borrow twice as much as undergraduate students using the GSL program. Origination fees are charged to the borrower at the time of the loan.

Thus, a $3,000 GSL would provide only $2,700 for educational expenses if this proposal were approved. This proposal makes the financing of graduate education more difficult, makes short-term savings at expense of overall objectives on the loan program, increases the already heavy debt burden, and singles out graduate and professional students for reasons we fail to understand.

Second, the graduate and professional opportunities program, GPOP, which has been mentioned before, is the only program funded by the Federal Government that stands as a visible commitment to the principle of access for minority and women students to graduate and professional education.

An important value of GPOP from our perspective is that in the future universities may have a better balance of minorities and women on their faculties, if they are given an opportunity to secure the advanced education.

In the past 3 years, to cite an example from my own institution, over 60 University of Missouri students have received approximately $500,000 in GPOP grants for study in agriculture, dentistry, engineering, geology, journalism and law.

Before leaving the subject of graduate student education, it should be mentioned that the higher education establishment is encouraged by the 60-percent increase in college work study because if Congress approves all or part of the increase, we will have reason to hope that graduate students will have more work study opportunities.

More college work study means less borrowing, and less borrowing means less debt burden. The debt burden for arts and science students is one of the most pressing issues facing graduate educators.

Likewise, we applaud the increases in the NSF science education program and fellowships in the mission agencies. A 26-percent increase in the NSF graduate fellowship program is proposed. This will bring the stipend level up to $8,100.

After no change for about 8 years, this second year of upward adjustment is most welcome and long overdue. It is a step in the right direction, but the new DOD graduate fellowship program better recognizes the need—it provides $12,000 stipends and $8,000 allowances to host institutions.

I want to commend NSF and the DOD for beginning to address seriously the need to reassert the Federal commitment to excellence in graduate education. DOE and NASA would do well to begin small graduate fellowship and traineeship programs modeled after the DOD lead, where the emphasis is on quality, not on the production of large numbers of Ph. D.'s.

NSF and the Department of Education are proposing new programs targeted on improving precollege science and math education. This will make it possible for our graduate schools to again serve effectively as they did under the National Defense Education Act when the Nation faced an earlier mathematics and science crisis.

As a final matter, I think it is imperative that title VI of the Higher Education Act be continued. This program has been the cornerstone of Federal support for foreign language, area, and international studies since 1958. It has been the Federal Government's principal means of expanding knowledge of other countries and cultures and stimulating a steady supply of skilled language and area-competent personnel for both the private and public sectors.

The need for such people is growing, yet the Nation's investment in the institutions and programs required to produce them is declining dramatically. Federal support for title VI has dropped in real terms by 65 percent since fiscal year 1969. Although Federal funds comprise only about one-tenth of the operating costs of area center programs, this fraction has served as a critical catalyst for attracting revenues from other sources.

The administration's title VI proposal would terminate support for 90 national resource centers, 705 foreign language and area studies fellowships, a minimum of 35 undergraduate international studies programs, 25 research projects for language and area teaching materials, and cut off, after only 1 year of support, funds for approximately 30 to 35 new matching grants for business and international education activities.

Under Fulbright-Hayes 102(b)(6) the administration's proposal would terminate support for approximately 20 group projects abroad, 40 faculty research projects abroad, 12 foreign curriculum consultants, 98 awards for Ph. D. dissertation research abroad, and 11 projects implementing special binational agreements.

Effective levels of funding for all authorized title VI programs to support international education on both undergraduate and graduate levels should be an important national priority if this country is to maintain its leadership in world affairs.

I appreciate the opportunity to share these concerns with you. We believe that investment in graduate and international education and research is an investment in the future of this Nation. I hope it will be possible to adjust to the concerns which have been outlined before the committee as you proceed with your deliberations.

Thank you very much.

Mr. KOGOVSEK. Thank you, President Olson.

Mr. McAninch?

STATEMENT OF HAROLD McANINCH, PRESIDENT, COLLEGE OF DUPAGE, GLEN ELLYN, ILL.

Mr. MCANINCH. Mr. Chairman, thank you for the opportunity to speak today concerning the impact of proposed student aid programs on community colleges across the country.

I will be speaking for the American Association of Community and Junior Colleges, on which I serve as chairman of the board of directors, and with the Association of Community and College Trustees and for the Joint Commission on Federal Relations.

I did file a paper with you. I will try to summarize that in my comments this morning. I want to share a few facts about our colleges, and the facts I think will put the later comments in context.

Last year our colleges enrolled some 5 million credit students, with approximately 63 percent, or 3.3 million of them in occupational programs, and another 1 million of the more than 4 million students involved in continuing education noncredit programs to courses in occupational specialties to upgrade their skills, to learn new skills for different jobs, and to make themselves more employable.

Graduates of these programs contribute significantly to helping the American economy regain its former preeminence in the world and to improving military preparedness. Further, our institutions enroll more than one-half the minority undergraduates attending postsecondary educational institutions, very similar I think in kind to the students described by Dr. Murphy in the New York system.

Mr. Chairman, for these reasons and others, Federal student assistance programs are very important to us. Specifically, we urge

that the Congress fund Pell grants at no less than the level the President has requested, $2.713 billion, but preferably at the fiscal year 1984 ceiling of $3 billion provided by the Budget Reconciliation Act of 1981.

Even at this level the number of students able to participate in the programs would be reduced. For example, for fiscal year 1979 the maximum Pell grant of $1,800 represented 46 percent of the average cost of attendance of all higher educational institutions and the fiscal year 1984, unless the maximum award is increased, will meet only 25 percent of the average cost.

Equally important, the Congress should ratify the President's proposal to double the ceiling on the cost of attendance that community students can claim under Pell grants. That is especially important to us, as most of our students, 90 percent-plus, commute.

The Education Department has maintained the same $1,500 ceiling for commuting students since the first Pell grants were made a decade ago. That ceiling has seriously eroded the purpose of basic grants because it has put college enrollment beyond the financial reach of growing numbers of students who are the primary targets of those grants.

Mr. Chairman, we also want to see the State student incentive grant program maintained. These modest Federal incentives have induced the States to put than $1 billion annually of their own resources in the State scholarship, and more than $1 million in Illinois alone. Also, Mr Chairman, we urge the Congress to approve the President's proposal to increase funds for college work study.

Turning for a moment to the impact on student financial aid for my own institution, which I should point out is in a very affluent western suburb of Chicago, the loss of student financial assistance to our students would result in declined enrollment of the needy students who currently qualify for aid.

We are an institution of 2,800 students whose mission is to provide quality education at a modest cost. We are supposedly in the fourth highest personal income county of any in the Nation, and yet we would have 10 percent of our students who would be directly affected by the reduction in student aid.

The profile of the average aid applicant at the College of DuPage shows that the independent student average income was only $7,624 this past quarter, and that student's family size was 2.3 members. The dependent student comes from a family of 4.6 members, with an annual total income of $18,945, based on the most recent data available.

Certainly any proposed reductions in student financial aid would alter the diversity of our student population, and the population of colleges like ours across the Nation. The college currently also serves a significant minority population which includes a substantial Asian population due to the refugees moving in from the Far East. Many of the Asian students need the financial aid programs to provide language and vocational skills, and elimination or reductions in student aid would exclude these students from the training they so vitally need.

Mr. Chairman, I would like to comment on some related matters as well.

The best long-term solution to unemployment, underemployment, factory, and plant closings, worker dislocations, and declining productivity is training-retraining programs, particularly for those skills industry indicates are shortages and for emerging technologies.

We like the steps that Senators Quayle and Kennedy are proposing in Senate bill 242 and Senate bill 493, to make it easier for displaced workers to use Pell grants to equip themselves with new skills.

Neither home equity nor unemployment compensation benefits would count in the income test for Pell grant qualifications for such workers features that would make this avenue of retraining much more enticing to them. This program should be funded at the $400 million level that Senator Kennedy proposes, so there would be no competition for the funds currently available through Pell grants.

Mr. Chairman, going a step further on this step, the States should not be allowed to withhold unemployment compensation benefits from workers who enroll in full-time training when they lose their jobs. It would be hard to imagine a practice more out of step with the times and with the needs of this country. Further, States should be directed to make referral to training the automatic alternative to a job referral when the latter does not bring immediate reemployment.

It is also our view that much of the education and training provided by the military to meet their own needs could better be done by the Nation's colleges at a great cost savings. Military service operations are employing increasingly sophisticated technology. The electronic battlefield envisioned by the Army, the 600-ship Navy, require cadres of technicians, of which they are currently short.

The colleges could provide these highly skilled technicians at a fraction of the cost currently expended by the services, and the colleges could train a steady flow of technicians who, through their Reserve obligation, would be available to the civilian economy. Consultants to the Army and Navy have estimated that implementation of such a program could save the country $10 billion by 1987.

Finally, Mr. Chairman, the President's request for vocational education would cut the overall program by 40 percent, to $500 million. That proposal is not acceptable to either the vocational education community or the community colleges. The request makes little sense in the light of this country's need for advanced skill training and high technology.

We thank you for your interest in our views and for this opportunity to testify.

Mr. KOGOVSEK. Thank you very much.

[The prepared statement of Harold McAninch follows:]

Prepared Statement of Harold D. McAninch, President, College of DuPage, Glen Ellyn, Ill.

Mr. Chairman, thank you for the opportunity to speak today concerning the impact of proposed student aid programs on my institution and on other community colleges across the country. I am speaking for the American Association of Community and Junior Colleges, for which I serve as Chairman of the Board of Directors, for the Association of Community College Trustees, and for the ACCT/AACJC Joint Commission on Federal Relations. The associations represent 1,220 community, technical and junior colleges in this country.

Mr. Chairman, I want to share a few facts with you about our colleges. The facts will put my later comments in context. Last year, our colleges enrolled some five million credit students, with approximately 63 percent or 3.3 million of them in occupational programs. Another one million or more of the four million students involved in our continuing education, non-credit programs took courses in occupational specialties to upgrade their skills, learn new skills for different jobs, and to make themselves more employable. Graduates of these programs contribute significantly to helping the American economy regain its former preeminence in the world and to improving military preparedness. Further, our institutions enroll more than half of the minority undergraduates attending postsecondary institutions. Our colleges pride themselves on offering "opportunity with excellence." We are highly accessible institutions -- accessible because our costs are modest, accessible because we provide a range of student services that are designed to help individuals reach their highest peak of achievement, and accessible because our primary mission is to teach. We provide opportunity for everyone who is willing to try, and we provide it in students' home communities, in population centers as well as in rural areas.

Mr. Chairman, for these reasons and others, federal student assistance programs are very important to us. Specifically, we urge that the Congress fund Pell Grants

at no less than the level the President has requested, $2.713 billion, or, preferably, at the FY'84 ceiling of $3 billion provided by the Budget Reconciliation Act of 1981. Even at this level, the number of students able to participate in the program would be reduced. For example, in FY'79 the maximum Pell Grant ($1,800) represented 46 percent of the average cost of attendance at all higher education institutions. In FY'84, unless the maximum award is increased, it will meet only 25 percent of the average cost of attendance. According to research conducted by the National Commission on Student Financial Assistance, the failure of aid to keep pace with rising costs is responsible for a marked decline in postsecondary enrollments of low-income students.

Equally important, the Congress should ratify the President's proposal to double the ceiling on the costs of attendance that commuting students can claim under Pell Grants, or invoke the 1980 amendment that allows each college to document its own costs of attendance schedule. The Education Department has maintained the same $1,500 ceiling for commuting students since the first Pell Grants were made a decade ago. That ceiling has seriously eroded the purpose of basic grants, because it has put college enrollment beyond the financial reach of growing numbers of students who are the primary targets of the grants.

Mr. Chairman, we also want to see State Student Incentive Grants maintained. These modest federal incentives have induced the States to put more than $1 billion annually of their own resources into state scholarships.

Also, Mr. Chairman, we urge the Congress to approve the President's proposal to increase funds for College Work Study programs.

Turning for a moment to the impact of these student financial aid programs on my own institution, College of DuPage, Mr. Chairman, the loss of federal student

assistance to students would clearly result in a decline in enrollment of those needy students who currently qualify for aid. College of DuPage is a large community college whose mission is to provide quality education at a modest cost to the student. Students who qualify for aid are truly needy and without those funds would probably not be able to pursue postsecondary training at any school. A loss of federal funds would negatively affect about ten percent of our students, based upon Winter 1982 data.

For campus-based financial aid programs (College Work-Study and Supplemental Educational Opportunity Grant), the average award received amounts to $622.00. Fully thirty-five percent of the total campus-based funds go to serve the indepedent student. The Pell Grant awards averaged $564.00 per student during the 1981-82 academic year.

FEDERAL STUDENT ASSISTANCE

Federal Programs	FY'82 Students Served	FY'82 Value of Awards	FY'81 Students Served	FY'81 Value of Awards	FY'80 Students Served	FY'80 Value of Awards
Pell Grants	849	478,957	654	420,428	658	430,799
Supplemental Educational Opportunity Grants	86	43,264	80	42,641	97	45,991
College Work Study	19	15,029	35	29.031	22	15,953
Nursing Loan	12	7,585	27	38,060	18	24,837
Nursing Scholarship	7	3,705	13	7,895	12	6,000
Guaranteed Student Loans	1,091	2,149,084	832	1,025,151	291	467,723
Totals	2,064*	2,697,624	1,641	1,563,206	1,098	991,303

*Duplicated

The profile of an average aid applicant at College of Dupage shows that for an independent student the average income was $7,624.00 and that the student's family size was 2.3 members. The dependent student comes from a family with 4.6 members and an annual total income of $18,945.00, based upon most recent data available (1980-81).

TOTAL INCOME INCLUDING TAXABLE AND NON-TAXABLE	DEPENDENT	TOTAL INCOME INCLUDING TAXABLE AND NON-TAXABLE	INDEPENDENT
$ 0 - 2,999	71	$ 0 - 999	42
3,000 - 5,999	50	1,000 - 1,999	29
6,000 - 8,999	51	2,000 - 2,999	52
9,000 - 11,999	76	3,000 - 3,999	72
12,000 - 14,999	61	4,000 - 4,999	45
15,000 - 17,999	60	5,000 - 5,999	40
18,000 - 20,999	58	6,000 - 6,999	20
21,000 - 23,999	62	7,000 - 7,999	19
24,000 - 26,999	38	8,000 - 8,999	35
27,000 - 29,999	37	9,000 - 9,999	21
30,000 - 32,999	37	10,000 - 10,999	19
33,000 - 35,999	18	11,000 - 11,999	17
36,000 - 38,999	12	12,000 - 12,999	7
39,000 - 41,999	9	13,000 - 13,999	19
42,000 - 44,999	1	14,000 - 14,999	9
45,000 - OVER	2	15,000 - OVER	67
TOTAL	643	TOTAL	513

Certainly, any proposed reductions in student financial aid would alter the diversity of the student population. The College currently serves a significant minority population which includes a substantial Asian population. Many of the Asian students need the financial aid programs to acquire language and vocational skills. Elimination or reductions in student aid would exclude these students from the training they so vitally need.

Mr. Chairman, it is important to note the important success of federal assistance programs to date. According to one national study, roughly half of the students who have received federal assistance have come from below the national poverty line. This is compelling evidence that these programs have in fact reached the people for whom they were designed, that they have made it possible for large numbers of low-income Americans to take advantage of the marvelous education system that we have in this country. Administration proposals that would reduce the total dollars available for these programs for as many as one million people would diminish the momentum we have developed in regard to access and equity and would run counter to other significant national efforts to strengthen and extend the technical skills base that is required for economic recovery and national defense.

Also, Mr. Chairman, Administration proposals include a 77 percent cut back in funds for Special Programs for Disadvantaged Students (TRIO), programs that have successfully encouraged college attendance by disadvantaged students and have helped establish student retention services. Demographic data indicate that the percentage of persons in the general population represented by these students will increase dramatically in the years remaining in this century. They will make up the largest percentage of new entrants in the workforce. Putting aside questions of equity, it is in the national interest that special programs that serve this audience be at least maintained at present levels. Reason would suggest that the programs be expanded.

Mr. Chairman, I would like to comment on some related matters. The best long-term solution to unemployment, underemployment, factory and plant closings, worker dislocations, and declining productivity is training and retraining programs, particularly for those skills for which industry currently indicates there are shortages and for emerging technologies. We like the steps that Senators Quayle and Kennedy are proposing in S. 242 and S. 493 to make it easier for displaced workers to use Pell Grants to equip themselves with new skills. Neither home equity nor unemployment compensation benefits would count in the income test for Pell Grant qualification for such workers in their bills, a feature that would make this avenue of retraining much more enticing to them. This program should be funded at the $400 million level that Senator Kennedy proposes so that there would be no competition for the funds currently available through Pell Grants.

Mr. Chairman, going a step further on this theme, the States should not be allowed to withhold unemployment compensation benefits from workers who enroll in full-time training when they lose their jobs. It would be hard to imagine a practice more out of step with the times and the needs of this country. Further, you should direct the States to make referral to training the automatic alternative to a job referral when the latter does not bring immediate reemployment.

It is also our view that much of the education and training provided by the military to meet their own needs could be better done by the Nation's colleges, at great cost savings. Military service operations are employing increasingly sophisticated technology. The electronic battlefield envisioned by the Army and the 600 ship Navy require cadres of technicians of which they are currently short. The colleges could provide these highly skilled technicians at a fraction of the cost currently expended by the services -- and the colleges could train a steady flow of technicians who, through their reserve obligations, would be available to the

civilian economy. A consultant to the Army and Navy has estimated that the implementation of such a program would save the country $10 billion by 1987.

Finally, Mr. Chairman, the President's request for vocational education would cut the overall program by nearly 40 percent to $500 million. The proposal is not acceptable to either the vocational education community or to community colleges. The request makes little sense in light of this country's need for advanced skill training and high technology.

Mr. Chairman, thank you again for your interest in our views and for this opportunity to testify.

Mr. KOGOVSEK. President Stephens?

STATEMENT OF RICHARD W. STEPHENS, PRESIDENT, GREENVILLE COLLEGE, GREENVILLE, ILL.

Mr. STEPHENS. Mr. Chairman, members of the panel, Richard Stephens is my name. I am the president of a small private school, Greenville College, Greenville, Illinois.

I have a written statement that I would like to enter into the record today.

I am speaking on behalf of the National Association of Independent Colleges and Universities, the Association of Catholic Colleges, the Association of Jesuit Colleges, Christian College Coalition, Council of Independent Colleges, the National Association of Schools and Colleges of the United Methodist Church, and the United Negro Fund.

I am very happy to be here to speak to you. What I want to do is just mention a few of the points in summary, if I may, and then speak as a case study from what one of the oldest types of schools, the 4-year private liberal arts school, is going through these days in response to the last 2 years of postsecondary plans in student aid that President Reagan has set forth for us.

The most compelling statement that I can make regarding what has happened to private schools over the last two years is that access and choice to those kinds of schools, due to the present student aid plans, has gone down to the point where it really threatens further, if further cuts are going to be made, the strength of the independent schools.

In my State, from 1960 until now, the independent school enrollment has dropped from 50 percent to approximately 28 percent this year. Yet, we confer approximately 35 percent of all the bachelor degrees.

There is no question but that the student aid plans, the guidelines by which students qualify for aid, have seriously hurt students coming into these schools. For instance, I would cite in the written statement that the entering freshmen class declined in these schools by 4 percent this past year, with one of three schools reporting a decline in the entering freshman class of 10 percent, and some schools reporting declines by as much as 20 percent or more.

I would report the student aid loss, is a 39-percent decrease in the independent schools, and that is in homes where the family income ranges from $6,000 to $24,000 a year. I submit to you that is a serious loss for that group of students. We have had an 18-percent loss in Pell grants, and a 10-percent decrease in total dollars. So, it is a serious matter with us to help maintain the strength of what were the first types of schools in this land.

We have not sat back at these schools and simply wrung our hands, as it were. We have tried to increase our grants. As you may know, approximately 70 percent of the funds that come to these schools each year come by way of students, and the rest of the funds must be made up from endowments and gifts.

So, we have been able to increase the number of grants that our donors have helped us give to students from these schools. The

average grant has gone up from $1,196 to $1,424 over the last two years, so we have not just simply sat back. We have tried to reach and to increase grants and on our own asked donors to help us. I think that is quite a stretch, given the unemployment that we have and the way people stand by us.

It is also the case that our students have increased the use they have made of loans. The statement that I have tells you about that.

What I would like to show you now is what one small school, namely the one that I head, has been going through the last couple of years, and say to you that though what President Reagan has set forth for fiscal year 1984 seems somewhat more hopeful to us, I think that there are certain concerns there that you will share with me when you hear what my school has been going through.

We are a school that is in its 91st year. We enroll 760 students. They come from 39 States, a dozen foreign lands. Approximately 15 percent of our students are black students, Spanish students. They come from 35 different States; they come from 36 different churches.

The median family income for these students is about $22,500 combined family income, which should take care of the myth that we are one of those fat, private schools that really rich kids go to. That is not the case at all.

One-fourth of our students come from a 50-mile radius and we have served many local students over the past 91 years. Our students work hard. I think they do well. Within about 5 to 7 years after they are out 50 percent have earned a master's degree. Approximately 70 percent of our premed students are admitted to medical school. Over 70 percent of the teacher ed students find jobs their first try in public schools. They make a great reach to help themselves.

Out of about a $4.7 million budget, I must raise $630,000 in cash gifts this year. Unlike what many people say, 90 percent of gifts come from 10 percent of the donors. That is not true of us. Our gifts will average about $120 per year, and we have asked donors, graduates, alumni, friends to help us, and over the last 4 or 5 years they have done that. We have gone from 2,100 people making gifts to 3,500 people making gifts last year. Letters come to me saying, "I wish I could help you with a gift for this year, but I just can't, I am out of work."

But we are going to raise that money. That total has been going up at large rates each year. I use that money to give grants to students. I use that money to hire students to work. We have not sat back at our school when we have lost grants. Let me show you what has happened to us in the last couple of years.

President Reagan came to our town when he was running for office and he said "If you vote for me, we will help the private sector remain strong." The faculty gathered in the square of this little village, students gathered with signs, voted for him, and the record is that since he has been in office we have gone from 347 students getting a Pell grant to 307 last year to 203 this year. Our students have lost $100,000 in Pell grant aid. I am speaking about the typical private school across the land.

SEOG grants—we have gone from 217 grants to 194 this year. When I read that SEOG funds may be cut I frankly tremble be-

cause I don't know how much more we can take, the private schools can take. Hurting private schools limits access and choice. NDSL grants, which are loans, we have gone from 234 loans 2 years back to 155 loans this year.

Is it any wonder that we have gone in our total student body from 859 students 2 years ago to 756 this year? Is it any wonder that we have had 104 students fully admitted new students last year who didn't show, and 140 fully admitted new students who didn't show this year? Students want to come to our schools.

We have not sat back just simply to wring our hands about that. We have increased grants, we have increased work, and we even began something we call a loan fund, our own loan fund, the second-miler loan fund.

I have said to our folks who have gone the first mile with a gift, would you also make a loan to us, a low-interest loan. The first loan that I got, a little lady saw me in church and stuck a letter under my arm and said, "Rich, I want to help your kids." It was a $5,000 check. It had come due on a money market. She had collected 13 points on it. She said, "You can have it for 8-percent for 5 years."

I have been able to raise since May about $50,000 to $60,000, and I have passed that on to students at 8-percent interest. We have 50 students in the student body this year who would not be there if they had not taken a final loan to cap off their aid plan, and it is only for students who have lost Federal grants or State grants.

I cite that to say that I know that many other private schools are making that same kind of reach. I don't think that is any long-term answer for us. Where I am going to get another $60,000 to loan those same students this next fall, or at least a good many of them, is a mystery to me, but I am going to have another 60 students who will need second-miler loans.

I think it is in the interest of access and choice that our Pell grants go up, that our SEOG grants go up, that we retain the loans, that we take the $900 million that is there due to the interest savings.

If there is some way that we can use those funds to help enrich the whole student aid plan, increase loans, increase the Pell grants, increase the SEOG, increase SSIG, at least bring it back to some level so that this hemorrhage stops and we can then get on a track of having true access and choice for the students that need it, that is a plan that I would set forth to you.

I am very happy to be here this day and would be happy to respond to any questions you might want to raise.

Mr. KOGOVSEK. Thank you, Mr. Stephens.

[The prepared statement of Richard Stephens follows:]

PREPARED STATEMENT OF W. RICHARD STEPHENS, PRESIDENT, GREENVILLE COLLEGE, GREENVILLE, ILL.

Mr. Chairman and Members of the Subcommittee:

My name is Richard Stephens. I am President of Greenville College in Greenville, Illinois. I appreciate the opportunity to appear before you today and to share with you the views of the National Association of Independent Colleges and Universities with respect to the Reagan Administration's FY 1984 Budget proposals.

The National Association of Independent Colleges and Universities (NAICU) is comprised of 830 colleges and universities, 42 state associations, and 29 special purpose associations. NAICU was established in 1976 to provide a unified national voice for independent higher education in keeping the public and government officials informed about the concerns of independent, nonprofit colleges and universities in meeting America's educational needs. A companion organization, the National Institute of Independent Colleges and Universities (NIICU), conducts research and maintains and analyzes data files for use in support of the informational activities of NAICU.

The membership of NAICU includes colleges and universities whose variety in size, control, and mission exemplifies the rich diversity of the independent sector. Among them are two-year colleges and technical institutes; four-year liberal arts colleges, (some non-sectarian, others church- or faith-related); schools of business, art, music, bible study, theology, health, and law; and, finally, the large research universities. More than two million students attend these institutions, with some campuses accommodating as few as 200 students and others enrolling more than 30,000. With minimal direct funding from government sources, we educate more than a fifth of all college students and award about 35 percent of all degrees that are conferred nationally. I have included a list of NAICU members at the end of my testimony.

NAICU members believe that the wisest federal and state policies are those that help to sustain a healthy enrollment balance between the public and independent sectors and provide the freedom of choice of educational offering to students from all economic backgrounds. For that reason, we focus our government relations activities primarily on federal student aid and tax policy issues. At the end of my testimony, I also have included a copy of the NAICU Policy Platform for the 98th Congress, which was adopted by the full membership at our Seventh Annual Meeting on February 4, 1983.

THE FY 1984 REAGAN ADMINISTRATION BUDGET PROPOSAL FOR HIGHER EDUCATION

The premise for the Reagan education budget for FY 1984 is touted as a "new philosophy" of student assistance. It is the philosophy of increased parental contribution and student self-help, combined with increased tax incentives for parents to save for their children's higher education. It proposes repeal of three federal student grant programs, replacing them with an expanded program of Self-Help Grants. It proposes expansion of the existing College Work Study program, while repealing the categorical program of support for Cooperative Education. It proposes repeal of the low-interest National Direct Student Loan program, and additional eligibility restrictions on students applying for Guaranteed Student Loans. It proposes a new Education Savings Account providing a tax incentive to encourage family savings for the higher education expenses of college-bound offspring. And it proposes the termination of most categorical aid programs, including aid to graduate education, and most programs of special assistance to disadvantaged students.

Student Aid

In terms of overall dollars to support student aid, the Administration is proposing $5.77 billion for FY 1984, of which $2.7 billion is for Self-Help Grants, $850 million for CWS, and $2.0 billion for GSL. That compares with the FY 1983 level of $6.65 billion, including $2.4 billion for Pell Grants, $355 million for SEOG, $60 million for SSIG, $540 million for CWS, $178 million for NDSL, and $3.1 billion for GSL.

Grants -- Pell Grants, SEOG, and SSIG would be repealed and replaced in 1984 by a Self-Help Grant program, designed to supplement self help. The maximum award would be increased to $3,000, computed as the lowest of:

- the maximum award minus the expected family contribution (EFC);
- educational costs minus $800 minus the EFC;
- educational costs minus 40 percent of educational costs minus EFC;
- $1,200 plus 25 percent of educational costs minus EFC.

Work Study -- College Work Study funding would be increased to $850 million in FY 1984, from the FY 1983 level of $540 million.

Loans -- No further federal capital contributions would be made to institutions for NDSL, although existing revolving funds of some $550 million would continue to be available for lending. Funding for GSL would be reduced by $900 million in FY 1983 by means of a rescission, and by an additional $200 million in FY 1984, by means of additional program changes. All GSL applicants would be required to undergo a needs test, with loan amounts limited to the amount of remaining need for applicants from all income levels. Graduate students receiving GSL would be required to pay a 10 percent origination fee on new loans, twice the current rate.

Higher Education Savings Accounts

The budget proposes a tax incentive measure that would allow low-income and middle-income families to make an annual investment of up to $1,000 per child for future higher education expenses of their children. Taxpayers would be granted a tax exclusion for earnings from savings deposited in these special Education Savings Accounts. ESAs could be used by full-time undergraduates, 18 to 26, for their tuition, room, and board. The full $1,000 investment would be available to families with an adjusted gross income of less than $40,000 and would phase out for families with incomes between $40,000 and $60,000.

Categorical Programs

The budget proposes to virtually repeal all existing categorical programs except the Fund for the Improvement of Postsecondary Education (down from $11.7 million to $6 million) and a new program of support for minority postsecondary institutions (Title III, part of TRIO, Minority Institution Science Improvement Program, and Howard University). Funding for all higher education categorical federal programs would be decreased to $180.2 million in FY 1984, down from the already-reduced FY 1983 level of $388.7 million.

NAICU REACTION TO THE FY 1984 BUDGET PROPOSAL

Student Aid

We are encouraged by the overall budget proposal for higher education in that it appears to reflect a policy of federal support for higher education, rather than simply a compilation of programs proposed for repeal or drastic reduction in order to accomplish a certain amount of budget savings. In that regard, it is a dramatic change from the two previous higher education budget proposals, which suggested unrealistic cuts of up to 30 percent in student aid.

It proposes several significant changes in programs and program operations, in order to restore emphasis on family and student responsibility in meeting postsecondary costs -- an emphasis which traditionally has been practiced by independent colleges and universities.

Grants -- We are troubled by the inclusion in the FY 1984 budget proposal of the timeworn proposal to eliminate the Supplemental Educational Opportunity Grants and State Student Incentive Grants programs, since these programs provide the essential supplemental assistance needed for low-income and moderate-income students to choose the independent college that best meets their educational needs.

At Greenville College, we have more than 200 students who are receiving Supplemental Grants. Many of these (almost 45 percent) are students who get no Pell Award. The other 55 percent get some Pell Award but not the full award. Also, many of these students are not Illinois residents, so they are not eligible to get any state grant; some may be Illinois residents, but were not eligible for any, or very minimal amounts of ISSC.

Because our institutional dollars are so limited and can help only a small number of these students, many would be left without any source of grant funds is SEOG were eliminated. Some would end up with only self-help (work and loans) to meet their unmet college cost need. Because independent college costs are quite high, this in many cases would mean loans of $4,000-5,000 per year. This would mean a debt of $16,000-20,000 for undergraduate education, a heavy burden, especially for those going on to graduate school and even more debt.

If NDSL were cut, this would cause even more problems, since that would mean less loan money available. For Greenville and most independent colleges, eliminating the SEOG as a separate entity (not tied to Pell income levels) would be disastrous.

The other major policy proposal is to replace the Pell Grants, SEOG, and SSIG programs with a new Self Help Grant program that requires every student receiving an award to provide the first 40 percent of college costs or at least $800 before receiving a grant. While we welcome the self help concept in student aid, we believe this proposal should be considered only in light of existing law and other proposals for reauthorization of the Higher Education Act.

In 1978, NAICU first proposed that Congress establish a federal policy goal for higher education that 75 percent of a student's college costs be met through a combination of family and independent student contribution and federal grant programs. That policy goal became federal law with the enactment of the 1980 Amendments to the Higher Education Act. The 75-percent policy goal for grants implies a 25-percent self-help expectation, neither of which has been realized due to reductions in appropriations beginning shortly after the effective date of the 1980 Amendments. We recognize that budget allocations and appropriations currently are insufficient to fully realize the student aid policy goal, but we believe that it, along with the Administration's current 40 percent self-help policy proposal, should be the basis of discussion on possible restructuring and revitalization of federal student assistance in the context of the reauthorization of the Higher Education Act.

Although it is too early to comprehend fully the effects and implications of the proposed restructuring of federal student grants and the creation of the Self-Help Grant, we are encouraged by the inclusion of a dramatically increased maximum award. As additional details of this proposal become available, we will attempt to model its effects, and urge you to request the Congressional Budget Office and Congressional Research Service to do the same in preparation for the reauthorization of the Higher Education Act, scheduled to begin hearings later this year.

Work Study -- We support the proposed increase in College Work Study funding from $540 million to $850 million. This important program stimulates employment of financially needy students, and, wherever possible, does so in their desired field of study or one closely related; thus, it operates both as a student aid program and as a training program for the student.

Loans -- The proposed $900 million FY 1983 rescission for GSL comes as a result of the significant reduction in interest rates over the last several months and the program restrictions established in the 1981 Budget Reconciliation Act. Given that dramatic amount of budget savings, it may be time to consider repealing some of those restrictions through the Budget Act, particularly the 5-percent origination fee charged all student applicants. Part of that $900 million windfall savings also could be used in an FY 1983 Supplemental to restore some of the funding cuts in the non-entitlement programs, without adding to the deficit.

For FY 1984, we oppose the Administration's proposal to double the origination fee on graduate students receiving GSL, who comprise 40 percent of the GSL loan volume. This program is one of the few programs for which graduate and professional students are eligible, and adding to the debt burden of these students while reducing the buying power of their loans could result in significant numbers of graduate students being unable to avail themselves of this critical source of assistance. Any reduction in graduate enrollment due to such changes in GSL would have potentially drastic consequences for independent higher education, which enrolls 41 percent of all graduate and professional students. With respect to the Administration's proposal to limit GSL to remaining need, the NAICU membership earlier this month supported such a change only if the Congress determined that additional savings must be found in GSL. But, with a $900 million surplus in GSL in FY 1983, it is inconceivable that additional savings would be needed in FY 1984.

In addition, we believe that federal capital contributions to the NDSL program should be continued for FY 1984 and beyond. This program provides needed, low-interest loans to students through the campus aid administrator. That allows some flexibility for varying student and parental circumstances to be taken into account -- circumstances sometimes lost in a national formula.

Higher Education Savings Accounts

We are encouraged by the inclusion of a new tax incentive proposal to encourage family savings to help pay future higher education costs. We have been examining the concept of Education Savings Accounts for the past eighteen months, and believe that, with some modification, ESAs would indeed be of significant assistance to parents of students attending higher priced colleges and universities. We agree with the Administration that a tax incentive for education savings is a good idea, but the specifics of such a plan must be constructed very carefully in order to best meet the needs of students, their families, and institutions of higher education.

Categorical Programs

We are disturbed that the budget proposes termination of most categorical aid programs, particularly support of cooperative education, graduate education, programs of assistance to disadvantaged students, and the Fund for the Improvement of Postsecondary Education.

Cooperative Education -- The President has proposed the rescission of the $14 million appropriated for cooperative education in FY 1983, and zero-funding for it in FY 1984. This program offers paid work experiences to students in their field of interest. The Cooperative Education Research Center has found that enrollees have lower attrition rates, better academic performance, shorter periods of post-graduate unemployment, and greater earnings after graduation than persons who did not participate in the program.

Graduate Education -- The President's proposal to eliminate support for graduate education is particularly onerous. Elimination of the Graduate and Professional Opportunities Program would signal an end to the federal commitment to assist women and minorities desiring graduate education. This program has served large numbers of students who otherwise would not have had access to graduate education. At a time when Congress is moving rapidly to address a crisis in math and science education and high technology capabilities, it seems short-sighted indeed to force a decline in the very area of higher education -- the graduate level -- where those issues will impact most heavily.

Special Programs for Students from Disadvantaged Backgrounds -- These five programs, known collectively as TRIO, provide services to help low-income students pursue a college or university education. The majority of recipients of TRIO services are members of an ethnic or racial minority; two-thirds are from families with incomes of less than 150 percent of the poverty level, or $13,950 for a family of four. The President's proposed FY 1983 rescission of $29.6 million and FY 1984 reduction of $77 come at a time when TRIO has already lost 29 percent of its funding in real dollars due to inflation.

Fund for the Improvement of Postsecondary Education -- The President has proposed a $5.7 million rescission from the 1983 budget of $11.7 million; and requested $6 million for 1984, with a legislative change requiring grantees to provide matching funds. A study by the NTS Research Corporation called the Fund a "major force in the improvement of post-secondary education around the nation and a uniquely responsive and nonbureaucratic federal agency."

The awarding of grants has been consistent with Congressional mandates and recognized national needs. It is interesting to note that as the House moves this week to address a crisis in math and science education, half of FIPSE's new 1982 grants were in the areas of science, engineering skills, and high technology.

We hope the Committee will oppose the rescission, any decrease in funding, and the proposed matching requirement.

EFFECTS OF STUDENT AID REDUCTIONS ON INDEPENDENT COLLEGE AND UNIVERSITY STUDENTS

Mr. Chairman, over the past 25 years the federal commitment to higher education has expanded as Administrations and Congresses have discovered unmet national needs and attempted to fashion solutions. Major elements in the commitment came with the enactment in 1958 of the National Defense Education Act, and the Higher Education Act seven years later. Emphasis on providing student assistance was the hallmark of amendments to the Higher Education Act in 1972 and 1976. And with the passage of the Middle Income Student Assistance Act of 1978 and the 1980 Amendments to the Higher Education Act, a solid base was established for federal financial support of students from low-income and moderate-income families. The ink was hardly dry on the 1980 Amendments before the new Administration proposed a series of substantial

spending reductions for these programs and restrictions on student access to certain of authorized programs. The result of those proposals was the enactment of the Budget Reconciliation Act in August, 1981. By September, 1981, the Administration proposed additional reductions, followed by yet another set of rescissions in February, 1982.

Uncertainties about the future availability of financial aid which resulted from this sudden, apparent turnaround in the federal commitment to student aid combined with poor general economic conditions and a small demographic decline to produce a drop in entering full-time freshmen at the nation's independent colleges and universities. This decline, which averaged more than 4 percent nationally, affects colleges of various types and sizes in all regions of the country. It is a cause of great concern because entering full-time freshmen drive the future of enrollment in these colleges.

Other findings of NIICU's December, 1982 publication, Diminished Access: Fall 1982 Enrollment at Independent Colleges and Universities, include the following:

- Overall enrollment declined in independent colleges and universities for the first time since 1971, when the Viet Nam draft deferments ended for college students. This decline defies federal government projections of enrollment increases in private colleges.

- The number of full-time entering freshmen declined by more than 4 percent. This loss of entering students exceeded the decline in the college-age population for the first time since the last of the baby-boom cohort reached eighteen.

- Almost two-thirds of the institutions reported declines in their freshman class, with one in three institutions reporting declines exceeding 10 percent, and almost one in six suffering losses of 20 percent or more.

- Even if next fall's freshman enrollments increase to regain current losses of more than 17,000 entering students, the nation's independent colleges will lose more than a quarter of a billion dollars in tuition revenues during the next four years.

- There were great differences among geographic regions and types of institutions. Among types of colleges, the comprehensive colleges and the liberal arts II colleges were hardest hit. More than 70 percent of the comprehensive colleges lost undergraduate headcount enrollment, and 41.6 percent of the liberal arts II colleges lost more than a tenth of their full-time entering freshmen. All regions lost full-time freshmen, with the Mid-Atlantic and Midwestern states reporting the largest losses.

- Enrollment declines were greatest in economically depressed states.

- Independent institutions lost almost 2. full-time undergraduates. A reported increase of almost 9,000 part- e undergraduates indicates that students may be shifting from full-t to part-time status as a means of reducing costs.

These enrollment declines were predicte NIICU's August, 1982 publication, Recent Trends in Federal Financial Aid to St s Attending Independent Colleges and Universities. The drop in federal aid t. dents from low and middle income families was clearly outlined.

- The percentage of undergraduate stude s receiving some form of student aid dropped by almost 5 percent between 1979-80 and 1981-82.

- The number of undergraduate independent students receiving aid dropped by approximately 16 percent, which goes directly counter to trends in public colleges and universities.

- Findings concerning undergraduate dependent students become more meaningful when analyzed by family income categories. The number of dependent undergraduate aid recipients from families with incomes in the $6,000 to $24,000 range declined dramatically. Between 1979-80 and 1981-82, there was a 39 percent decrease in student aid recipients from that broad income range. Even after considering the movement of families out of this category because of inflation, this suggests that the independent sector is experiencing a major loss of students from this range.

- There was a decline of almost 18 percent in the amount of Pell Grant funding to students attending independent colleges and universities, and almost a 10 percent decrease in Pell Grant recipients. The "buying power" of Pell Grants for students in independent colleges plummeted by more than one-third during the two-year period.

- There was a major increase in institutional need-based aid. The percentage of recipients went from 45 percent in 1979-80 to 55 percent in 1981-82, and the average institutional award increased by 19 percent, from $1,196 to $1,424 in the same period.

- The use of Guaranteed Student Loans also increased dramatically. The number of students participating in this program during the two-year period doubled, and the average GSL has increased by 27 percent, from $1,787 in 1979-80 to $2,264 in 1981-82. (Major restrictions in GSL were enacted after the survey period.)

- For 1979-80, the proceeds of "self-help" efforts (loans, work, student savings) covered 31.1 percent of the average student budget in the independent sector. By 1981-82, "self-help" averaged 41.4 percent -- an increase of more than $1,000 per student.

- While student aid reports no longer require identification of aid recipients by race, thereby making it impossible to get an accurate count of minority recipients, there is nevertheless an indication that minority participation declined during the two-year span.

RECOMMENDATION

For FY 1983, we recommend restoring those student aid funding cuts which resulted from the enactment of the 1981 Budget Reconciliation Act, and repealing the 5-percent origination fee charged to GSL recipients. Because of the windfall budget savings in the GSL program which result from the lowering of interest rates, this can be accomplished without adding to the FY 1983 deficit.

For FY 1984, we recommend funding levels for student aid programs which sustain at least the level allowed by the Budget Reconciliation Act, and preferably approaching those levels anticipated in the 1980 Amendments to the Higher Education Act. The Administration's proposals are so far-reaching that they should not be considered in the context of the Budget Resolution; rather, they should be considered in the context of hearings on the reauthorization of the Higher Education Act, scheduled to begin next year. We welcome the concept of an Education Savings Account and urge the appropiate congressional committees to begin hearings on the proposal to refine a program which would offer long term support for students, their families, and colleges and universities.

I urge the Subcommittee and the full Committee to balance carefully the needs of short term budget savings with the long term national needs of maintaining a strong and diverse system of higher education. I firmly believe that unless federal policy makers can reverse the current trends of lost federal resources causing significant enrollment declines, the independent sector of higher education will not be able to hold its own in the fierce competition for students over the next few years.

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER

ALABAMA

Birmingham Southern College
Huntingdon College
Judson College
Mobile College
Oakwood College
Samford University
Spring Hill College
Talladega College
Tuskegee Institute

ALASKA

Alaska Bible College
Alaska Pacific University
Sheldon Jackson College

ARIZONA

American Graduate School of International Management
College of Ganado
Grand Canyon College

ARKANSAS

Arkansas College
College of the Ozarks
Hendrix College
John Brown University
Ouachita Baptist University
Southern Baptist College

CALIFORNIA

Azusa Pacific University
Biola University
California College of Arts & Crafts
California Institute of the Arts
Center for Early Education
Chapman College
Church Divinity School of the Pacific
Claremont College System
Cogswell College
Coleman College
College of Notre Dame
College of Osteopathic Medicine of the Pacific
Dominican College of San Rafael
Fielding Institute
Franciscan School of Theology
Humphreys College
International College
Loma Linda University
Loyola Marymount University
Marymount Palos Verdes College
Menlo College
Mills College
Mount Saint Mary's College
National University
Northrop University
Occidental University
Pacific Union College
Pasadena College of Chiropractic
Patten College
Pepperdine University
St. Mary's College of California
St. Patrick's Seminary
Simpson College
Southwestern University School of Law
Stanford University
Starr King School for the Ministry
University of Judaism
University of the Pacific
University of Redlands

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

CALIFORNIA (cont.)

University of San Diego
University of San Francisco
University of Santa Clara
University of Southern California
West Coast Christian College
West Coast University
Westmont College
Woodbury University

COLORADO

Colorado College
Loretto Heights College
Regis College
University of Denver

CONNECTICUT

Albertus Magnus College
Bridgeport Engineering Institute
Connecticut College
Fairfield University
Hartford College for Women
Mitchell College
Mount Sacred Heart College
Post College
Quinnipiac College
Sacred Heart University
Saint Joseph College
Trinity College
University of Bridgeport
University of Hartford
Wesleyan University
Yale University

DELAWARE

Wesley College
Wilmington College

DISTRICT OF COLUMBIA

American University
Catholic University of America
Gallaudet College
Georgetown University
George Washington University
Mount Vernon College
Southeastern University
Trinity College

FLORIDA

Barry College
Bethune Cookman College
Biscayne College
Edward Waters College
Embry-Riddle Aeronautical University
Flagler College
Florida College
Florida Memorial College†
Florida Southern College
Nova University
Palm Beach Atlantic College
Rollins College
Saint Leo College
Seminary of St. Vincent De Paul
Southeastern College of the Assemblies of God
Stetson University
University of Miami

MAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

GEORGIA

Agnes Scott College
Atlanta College of Art
Berry College
Brenau College
Clark College
Emmanuel College
Emory University
Georgia Military College
Interdenominational Theological Center
La Grange College
Mercer University
Morehouse College
Oglethorpe University
Paine College
Reinhardt College
Shorter College
Spelman College
Toccoa Falls College
Truett McConnell College

HAWAII

Chaminade University of Honolulu

IDAHO

Northwest Nazarene College
Ricks College

ILLINOIS

Alfred Adler Institute of Chicago
Augustana College
Aurora College
Barat College
Blackburn College
Bradley University
College of Saint Francis
Columbia College
Concordia College
DePaul University
Elmhurst College
Eureka College
Felician College
George Williams College
Greenville College
Illinois Benedictine College
Illinois College
Illinois Wesleyan University
Judson College
Kendall College
Knox College
Lake Forest College
Lewis University
Loyola University of Chicago
MacMurray College
Mallinckrodt College
McKendree College
Millikin University
Mundelein College
North Central College
North Park College & Theological Seminary
Northwestern University
Principia College
Quincy College
Roosevelt University
Rusary College
Springfield College in Illinois
Trinity Christian College
Wheaton College

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

INDIANA

Butler University
Calumet College
DePauw University
Earlham College
Fort Wayne Bible College
Goshen College
Grace College
Hanover College
Holy Cross Junior College
Indiana Central University
Indiana Institute of Technology
Manchester College
Marian College
Marion College
Oakland City College
Saint Francis College
Saint Joseph's College
Saint Mary-of-the-Woods College
Saint Mary's College
Taylor University
Tri-State University
University of Evansville
University of Notre Dame
Valparaiso University
Wabash College

IOWA

American Institute of Business
Briar Cliff College
Buena Vista College
Central University of Iowa
Clarke College
Coe College
Cornell College
Divine Word College
Dordt College
Drake University
Grand View College
Grinnell College
Iowa Wesleyan College
Loras College
Luther College
Maharishi International University
Marycrest College
Morningside College
Mount Mercy College
Mount Saint Clare College
Northwestern College
Open Bible College
Palmer College of Chiropractic
Saint Ambrose College
Simpson College
University of Dubuque
University of Osteopathic Medicine & Health Sciences
Wartburg College
Westmar College
William Penn College

KANSAS

Baker University
Bethany College
Bethel College
Donnelly College
Friends Bible College
Kansas Newman College
Kansas Wesleyan
McPherson College
Saint John's College
Saint Mary College
Saint Mary of the Plains College
Southwestern College
Sterling College

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

KENTUCKY

Alice Lloyd College
Asbury College
Asbury Theological Seminary
Bellarmine College
Berea College
Brescia College
Campbellsville College
Centre College of Kentucky
Cumberland College
Georgetown College
Kentucky Wesleyan College
Lees Junior College
Lindsey Wilson College
Midway College
Pikeville College
Spalding College
Thomas More College
Transylvania University
Union College

LOUISIANA

Centenary College of Louisiana
Louisiana College
Loyola University in New Orleans
Our Lady of Holy Cross College
Saint Joseph Seminary College
Saint Mary's Dominican College
Tulane University of Louisiana

MAINE

Bates College
Bowdoin College
Colby College
College of the Atlantic
Husson College
Saint Joseph's College
Unity College
Westbrook College

MARYLAND

Baltimore Hebrew College
Capitol Institute of Technology
College of Notre Dame of Maryland
Columbia Union College
Hood College
Johns Hopkins University
Loyola College†
Maryland Institute College of Art
Mount Saint Mary's College
Saint John's College
Villa Julie College
Washington College
Washington Theological Union
Western Maryland College

MASSACHUSETTS

Amherst College
Anna Maria College
Aquinas Junior College at Milton
Aquinas Junior College at Newton
Assumption College
Atlantic Union College
Babson College
Bay Path Junior College
Becker Junior College of Worcester
Bentley College
Berklee College of Music
Boston College
Boston Conservatory of Music
Boston University

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NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

MASSACHUSETTS (cont.)

Brandeis University
Clark University
College of the Holy Cross

Dean Junior College
Emerson College
Emmanuel College
Endicott College
Fisher Junior College
Forsyth School of Dental Hygienists
Franklin Institute of Boston
Gordon College

Harvard University
Hebrew College
Hellenic College, Inc.
Laboure Junior College
Lasell Junior College
Lesley College
Massachusetts Institute of Technology
Merrimack College
Mount Holyoke College
Mount Ida Junior College

Nichols College
Northeastern University
Radcliffe College
Simmons College
Simon's Rock Early College
Smith College
Springfield College
Stonehill College
Suffolk University
Tufts University
Wellesley College
Wentworth Institute of Technology
Western New England College
Wheaton College
Wheelock College
Williams College
Worcester Polytechnic Institute

MICHIGAN

Adrian College
Albion College
Alma College
Aquinas College
Baker Junior College of Business
Calvin College
Center for Creative Studies
Cleary College
Concordia College

Davenport College of Business
Detroit College of Business Administration
Grand Rapids Baptist College & Seminary
Hope College

Kalamazoo College
Kendall School of Design

Lewis College of Business
Madonna College
Marygrove College
Mercy College of Detroit
Muskegon Business College
Northwood Institute
Olivet College
Reformed Bible College
Saint Mary's College
Siena Heights College
Spring Arbor College
Suomi College
Thomas M. Cooley Law School
University of Detroit
Walsh College of Accountancy & Business Administration

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

MINNESOTA

Augsburg College
Bethany Lutheran College
Bethel College and Seminary
College of Saint Benedict
College of Saint Catherine
College of Saint Scholastica
College of Saint Thomas
Concordia College at Moorhead
Concordia College-Saint Paul
Dr. Martin Luther College
Golden Valley Lutheran College
Gustavus Adolphus College
Hamline University
Macalester College
Minneapolis College of Art & Design
Northwestern College
Northwestern College of Chiropractic
Saint John's University
Saint Mary's College
Saint Mary's Junior College
Saint Olaf College
Saint Paul Bible College

MISSISSIPPI

Belhaven College
Blue Mountain College
Mississippi College
Rust College
Wood Junior College

MISSOURI

Assemblies of God Graduate School
Cardinal Glennon College
Central Bible College
Central Methodist College
Cleveland Chiropractic College
Cottey College
Culver-Stockton College
Drury College
Evangel College
Fontbonne College
Kansas City Art Institute
Logan College of Chiropractic
Park College
Rockhurst College
St. Louis College of Pharmacy
Saint Louis University
Saint Mary's College of O'Fallon
Saint Mary's Seminary & College
School of the Ozarks
Southwest Baptist University
Washington University
Webster College
Westminster College
William Jewell College
William Woods College

MONTANA

Carroll College

NEBRASKA

Bellevue College
College of Saint Mary
Concordia Teachers College
Creighton University

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

NEBRASKA (cont.)

Doane College
Grace College of the Bible
Hastings College
Midland Lutheran College
Nebraska Wesleyan University
Union College

NEW HAMPSHIRE

Franklin Pierce College
New Hampshire College
Notre Dame College
Rivier College
Saint Anselm's College

NEW JERSEY

Beth Medrash Govoha
Bloomfield College
Caldwell College
Centenary College
College of Saint Elizabeth
Drew University
Fairleigh Dickinson University
Felician College
Georgian Court College
Monmouth College
Northeastern Bible College
Princeton University
Rider College
Saint Peter's College
Stevens Institute of Technology
Westminster Choir College

NEW MEXICO

College of Santa Fe

NEW YORK

Academy of Aeronautics
Albany College of Pharmacy
Albany Law School
Alfred University
Bard College
Barnard College
Canisius College
Colgate University
College for Human Services
College of Insurance
College of Mount St. Vincent
College of New Rochelle
College of Saint Rose
Columbia University
Cornell University Endowed Colleges
Daemen College
Dominican College of Blauvelt
D'Youville College
Elizabeth Seton College
Elmira College
Fordham University
General Theological Seminary
Hamilton College
Hartwick College
Hobart & William Smith Colleges
Hofstra University
Houghton College
Iona College
Ithaca College
King's College
Le Moyne College

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

NEW YORK (cont.)

Long Island University

Manhattan College
Manhattan School of Music
Mannes College of Music
Maria College of Albany
Maria Regina College
Marist College
Maryknoll School of Theology
Marymount College
Mater Dei College
Mercy College
Molloy College
Mount Saint Mary College
Nazareth College of Rochester
New School for Social Research-
Parsons School of Design
New York Chiropractic College
New York College of Podiatric Medicine
New York Institute of Technology
New York School of Interior Design
New York University
Nyack College
Pace University
Paul Smith's College of Arts
& Sciences
Pratt Institute
Rensselaer Polytechnic Institute
Roberts Wesleyan College
Rochester Institute of Technology
Rockefeller University
Russell Sage College
Saint Francis College
Saint John Fisher College
Saint Joseph's College
Saint Lawrence University
Saint Thomas Aquinas College
Sarah Lawrence College
Skidmore College
Syracuse University
Trocaire College
Union College

Utica College of Syracuse
University
Vassar College
Villa Maria College of Buffalo
Webb Institute of Naval
Architecture
Wells College

NORTH CAROLINA

Atlantic Christian College
Belmont Abbey College

Campbell University
Catawba College
Chowan College
Davidson College
Duke University
Elon College
Greensboro College
Guilford College
High Point College
Johnson C. Smith University
Lees-McRae College
Lenoir-Rhyne College

Louisburg College

Mars Hill College
Meredith College
Montreat-Anderson College
Mount Olive College
North Carolina Wesleyan College
Peace College
Pfeiffer College
Queens College

Saint Augustine's College
Saint Mary's College
Salem College
Shaw University
Wake Forest University
Warren Wilson College
Wingate College

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

NORTH DAKOTA

Jamestown College
Mary College

OHIO

Baldwin-Wallace College
Borromeo College of Ohio
Capital University
Cedarville College
Chatfield College
Cleveland Institute of Art
College of Mount Saint Joseph-on-the-Ohio
College of Wooster
Columbus College of Art & Design
Defiance College
Denison University
Dyke College
Findlay College
Franklin University
Hebrew Union College
Heidelberg College
Hiram College
John Carroll University
Kenyon College
Kettering College of Medical Arts
Lourdes College
Malone College
Marietta College
Mount Union College
Mount Vernon Nazarene College
Muskingum College
Oberlin College
Ohio College of Podiatric Medicine
Ohio Dominican College
Ohio Northern University
Ohio Wesleyan University
Otterbein College
Rio Grande College
Tiffin University
University of Dayton
University of Steubenville
Urbana College
Ursuline College
Walsh College
Wilmington College
Wittenberg University
Xavier University

OKLAHOMA

Bartlesville Wesleyan College
Flaming Rainbow University
Hillsdale Free Will Baptist College
Oklahoma City University
Oral Roberts University
Phillips University
Saint Gregory's College
University of Tulsa

OREGON

Concordia College
Lewis & Clark College
Linfield College
Northwest Christian College
Pacific University
Reed College
University of Portland
Western States Chiropractic College
Willamette University

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

PENNSYLVANIA

Albright College
Allegheny College
Allentown College of Saint Francis De Sales

Alvernia College
Beaver College
Bucknell University
Cabrini College
Carlow College
Carnegie-Mellon University
Chatham College
Chestnut Hill College
College Misericordia
Delaware Valley College of Science & Agriculture
Dickinson College
Dickinson School of Law
Duquesne University
Eastern College
Elizabethtown College
Franklin & Marshall College
Gannon University
Geneva College
Gettysburg College
Grove City College
Gwynedd-Mercy College

Harcum Junior College
Haverford College
Holy Family College
Immaculata College
Juniata College
King's College
Lackawanna Junior College
Lafayette College
Lancaster Bible College
La Roche College
La Salle College

Lehigh University

Manor Junior College
Marywood College
Mercyhurst College
Messiah College
Moore College of Art
Moravian College
Muhlenberg College
Neumann College
Peirce Junior College
Pennsylvania College of Podiatric Medicine
Philadelphia College of Osteopathic Medicine
Philadelphia College of Pharmacy & Science
Philadelphia College of Textiles & Science
Point Park College
Robert Morris College
Rosemont College
Saint Francis College
Saint Joseph's University
Saint Vincent College
Spring Garden College
Susquehanna University
Swarthmore College
University of Pennsylvania
University of Scranton
Ursinus College
Valley Forge Military Junior College
Villa Maria College
Villanova University
Washington & Jefferson College
Waynesburg College

Westminster Theological Seminary
Widener University
Wilkes College
Wilson College
York College of Pennsylvania

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

RHODE ISLAND

Bryant College of Business Administration
Rhode Island School of Design
Roger Williams College
Salve Regina-The Newport College

SOUTH CAROLINA

Anderson College
Central Wesleyan College
Coker College
Columbia Bible College
Columbia College
Converse College
Furman University
Limestone College
Newberry College
North Greenville College
Presbyterian College
Sherman College of Straight Chiropractic
Spartanburg Methodist College
Wofford College

SOUTH DAKOTA

Huron College
Dakota Wesleyan University
National College

TENNESSEE

American Baptist Theological Seminary
Bryan College
Carson-Newman College
Christian Brothers College
Cumberland College of Tennessee
Hiwassee College
Johnson Bible College
King College
Lee College
Lincoln Memorial University
Martin College
Maryville College
Memphis Academy of Arts
Southern Missionary College
Southwestern at Memphis
Tennessee Temple University
Tennessee Wesleyan College
Tomlinson College
Trevecca Nazarene College
Tusculum College
University of the South
Vanderbilt University

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

TEXAS

Abilene Christian University
American Technological University
Austin College
Baylor University

Dallas Baptist College
Houston Baptist University
Howard Payne University
Incarnate Word College
Jarvis Christian College
Lon Morris College
Our Lady of the Lake University
Rice University
Saint Edward's University
Saint Mary's University of San Antonio
Southern Methodist University
South Texas College of Law
Southwestern Adventist College
Southwestern Assemblies of God College
Southwestern University
Texas Chiropractic College
Texas Christian University
Texas Lutheran College
Texas Wesleyan College
Trinity University
University of Dallas
University of Saint Thomas
Wayland Baptist University

UTAH

Brigham Young University
Westminster College

VERMONT

Bennington College
Champlain College
Green Mountain College
Marlboro College
Middlebury College
Saint Michael's College
School for International Training
Trinity College

VIRGINIA

Averett College
Bluefield College
Bridgewater College
CBN University
Emory & Henry College
Ferrum College
Hampden-Sydney College
Hampton Institute
Hollins College
Institute of Textile Technology
Liberty Baptist College
Lynchburg College
Mary Baldwin College
Marymount College of Virginia
Randolph-Macon College
Randolph-Macon Woman's College
Roanoke College
Saint Paul's College
Shenandoah College & Conservatory of Music
Sweet Briar College
University of Richmond
Virginia Wesleyan College
Washington and Lee University

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

WASHINGTON

City University

Gonzaga University
Lutheran Bible Institue of Seattle
Northwest College of the
Assemblies of God
Pacific Lutheran University
Saint Martin's College
Seattle Pacific University
Seattle University
University of Puget Sound
Walla Walla College
Whitman College
Whitworth College

WEST VIRGINIA

Alderson Broaddus College

Beckley College
Davis & Elkins College
Ohio Valley College
University of Charleston
West Virginia Wesleyan College
Wheeling College

WISCONSIN

Alverno College
Cardinal Stritch College
Carthage College
Edgewood College
Holy Redeemer College

Lakeland College
Lawrence University
Marian College of Fond du Lac
Marquette University
Medical College of Wisconsin
Milwaukee School of Engineering
Mount Mary College

Northland College
Ripon College
Saint Norbert College
Silver Lake College
Viterbo College

naicu / niicu

1983 Annual Meeting

The membership of the National Association of Independent Colleges and Universities, assembled at its 1983 Annual Meeting in Washington, D.C., adopted the following policy platform statement for 1983 at its concluding general session of February 4, 1983:

I. Purposes and Principles: Back to Basics

The following statement of purpose and principle will serve as the guiding central objective of our representational activities for 1983, at both the federal and state levels:

> The health and vitality of the independent sector of American higher education in a period of predictable decline in the total student enrollment pool depends upon the implementation of public policies which (a) will protect the ability of the public and independent sectors to compete for students on reasonably equal terms, and (b) will not reduce the proportional share of students enrolled at independent colleges and universities.

II. Student Revenues and Federal Policy

1. Balanced Appropriations for Student Aid. In the realm of federal budget allocations and appropriations, NAICU will maintain its primary concentration on continuing effort to assure financial accessibility for all Americans to all of America's wide diversity of higher educational opportunities. Because the pricing patterns of independent higher education are necessarily higher than those institutions receiving direct governmental operating subsidies from state legislatures (which allow reductions in actual charges to students) NAICU's central major student aid objective calls for

balanced federal appropriations to attain the federal policy goal that 75 percent of a student's expenses should come from a combination of reasonable parental or independent student contributions, Pell Grants, SEOG, and SSIG. NAICU therefore calls on the 98th Congress:

(a) to provide balanced funding support for basic and supplemental grant benefits (Pell Grants and SEOG/SSIG funding) to address that statutory 75-percent policy goal; and

(b) to provide balanced federal support of self-help programs (CWS and NDSL/GSL/PLUS/ALAS funding) to meet the 25-percent self-help expectation, and to assist parents, independent students, and graduate students in meeting their expected contributions.

2. Program Refinements. Recognizing that federal budget allocations and appropriations currently are insufficient to fully realize the student aid policy goals established by the 1980 Amendments of the Higher Education Act, NAICU will continue to work actively with other higher education associations in formulating and advancing legislative initiatives which would help to rationalize the existing student aid programs, while maintaining the continuity and balance of grant, work, and loan programs. Specifically, NAICU will support legislation:

(a) to eliminate any origination fees in the GSL program. This includes repeal of the 5-percent origination fee enacted as a temporary measure in 1981 to reduce federal GSL costs, and opposition to the proposed 10-percent origination fee for graduate students;

(b) to increase the annual and aggregate loan limits under the GSL, PLUS and ALAS programs, in order to allow those students with considerable need to have access to adequate subsidized loan capital;

(c) to expand the opportunities and incentives for students to consolidate loans taken under different terms into a single repayment plan, with options for early or extended repayment on a graduated or income-sensitive schedule;

(d) to expand the incentives for students and institutions to assure timely repayment of federally-subsidized student loans, as well as the penalties for student loan delinquencies and defaults;

(e) to revise the statutory definition of status as an "independent student" for purposes of determining eligibility to participate in federal student aid programs;

(f) to authorize both secondary markets and consolidation capabilities for loans issued under the PLUS/ALAS programs; and

(g) to prohibit parents and students from using a declaration of bankruptcy to set aside PLUS/ALAS loan obligations.

(h) to remove the statutory floor of a 12-percent interest rate for loans under the PLUS/ALAS program(s); and

(i) to explore the possbility of converting Pell Grants from a nationally-administered program into one administered on campus.

Should budget savings be required by the 98th Congress in GSL (the only higher education entitlement program), NAICU would support legislation:

(j) to limit coverage provided by the GSL program to the amount of a student's "remaining need" after all other grant, work, and loan benefits, together with all expected parental/student contributions, are taken into account.

3. New Initiatives. Looking ahead to any opportunities for judicious reform and revitalization of the federal student aid programs which may arise in the course of the 98th Congress, NAICU would be most interested in pursuing legislation:

(a) to amend the State Student Incentive Grant (SSIG) program to allow states to use up to half of their federal allocation to help establish or sustain a 50-50 federal-state work-study program to supplement the grant assistance available under the existing 50-50 federal-state SSIG program; and

(b) to establish a completely non-subsidized student loan program as a "loan of last resort," with the federal guarantee serving as an umbrella over a variety of institutional, state, and secondary-market loan programs for students and families who are unable to meet their needs for loan capital under the GSL and/or the PLUS/ALAS programs, or who may need to borrow some part of their parental, independent student, or graduate student contribution.

4. Future Possibilities. As we look even further ahead, to the 1984-85 period when the Higher Education Act again will be up for reauthorization, NAICU believes it would be worthwhile to explore the possibility of dividing the federal student aid programs into two quite separate components, with federal grant aid limited to a percentage of the student's "hard" educational costs (tuition, fees, books and supplies), and aid delivered through the federally-sponsored work and loan programs serving as both a supplemental resource to fund "hard" educational costs and as the primary resource to help students and their families meet living costs (room, board, travel, and personal expenses).

III. Gift Revenues, Tax Incentives and Federal Policy

1. NAICU will maintain its first-priority concentration in the tax policy field on the maintenance and improvement of current rules relating to the full deductibility of charitable contributions. Should Congress engage in any restructuring of the federal tax system, NAICU believes that, at a minimum, the deduction for charitable gifts should be preserved; and, further, that the current tax climate for giving should not be impaired.

2. NAICU also will maintain its efforts to expand the opportunities for all taxpayers to receive tax incentives for charitable giving, seeking to make the charitable deduction for non-itemizers a permanent feature of the tax code by removal of the "sunset" provision, and vigorously pursuing the restoration and expansion of the tax incentives available for major voluntary contributions to independent higher education.

3. NAICU will continue its efforts to preserve the unique status of the deduction for charitable gifts in the federal tax code as the only deduction which encourages the transfer of personal wealth for public purposes, and therefore will continue vigorously to oppose both (a) classification of the charitable contribution deduction as a tax expenditure and (b) initiatives to include the tax deduction for charitable contributions as a subject for "automatic termination" through sunset review.

4. NAICU will continue to seek greater public awareness of the importance of charitable giving, as well as the patterns and sources of such giving, to independent colleges, and greater public understanding of the interrelationship between voluntary giving and tax policy at both the federal and state levels.

5. NAICU will continue to pursue refinements of the tax incentive legislation enacted in 1981 which encourages restricted corporate contributions to higher education such as gifts of equipment and support of university-based research, while also seeking to preserve and enhance unrestricted corporate contributions to all types of higher educational institutions.

6. NAICU will continue vigorously to support the maintenance of tax-exempt bond financing as an important and appropriate mechanism for strengthening the financial capabilities of independent colleges and universities.

7. NAICU will continue vigorously to support the continuing exemption from taxation of scholarship programs for faculty, staff, and their families, within and among all types of higher educational institutions.

8. NAICU will continue actively to explore legislative proposals designed to supplement and complement federal student assistance benefits with a program of tax incentives to encourage family savings to meet future tuition-and-fee expenses, in ways that will allow such families the opportunity for both access and choice of the most appropriate higher education for their children.

   In implementing this position, NAICU will attempt to gain inclusion of the following specific points in any such plan:

   (a) Everyone, including any relative or friend, should be eligible to make tax-deductible contributions to an education savings account for a student's higher education expenses. Such amounts saved, including principal and interest, should be tax-deffered to the student.

   (b) The definition of eligible educational expenses should include only tuition and fees for undergraduate or graduate education; or, at the very most, tuition and fees plus a very limited percentage or dollar amount applied against living expenses.

   (c) If eligibile educational expenses are carefully defined, no limits on yearly withdrawal would seem necessary; however, if that should prove impossible, a percentage of the fund limit would seem most equitable, and would allow for the most flexibility in family financial planning.

   (d) The maximum yearly contribution to an ESA to be tax deductible should be defined in fixed dollar terms ($1,000, $2,000, or more), with provisions allowing larger yearly contributions for older children, to encourage late ESA starts. (To limit the revenue impact, the tax-deductible feature could be limited to a percentage of contributions.)

   (e) The reduced tax liability should fall entirely on the students who receive the ESA proceeds, since their income is likely to be at a relatively low level when such proceeds are received, and the income of relatives and friends at that time is likely to be at a relatively high level.

   (f) Ideally, ESA legislation should have the single purpose of supporting educational expenses, as opposed to being tied in with housing starts or retirement income.

(g) Again ideally, some additional incentive should be included to make the ESA plan relevant and feasible for lower income taxpayers as well as those in the middle and upper income ranges.

(h) The legislation should make clear that most if not all ESA savings should be excluded from consideration in calculating a student's "need" for other forms of federal financial aid, unless those savings exceed the asset amount excludable by statute.

(i) There should be no income ceiling on eligibility to establish an ESA.

(j) ESA accounts should not be viewed as a substitute for existing student aid programs.

9. In the event public policy makers look to other areas of support for higher education, NAICU reaffirms its primary position that the existing federal grant, work, and loan programs of the Higher Education Act, as amended, are best able to serve the important principles of equity and need sensitivity. Tuition tax credits present a number of serious concerns and, if considered for higher education, should be viewed only as a supplement to adequate funding of the existing grant, work, and loan programs, and should be sensitive to both unmet student need and the varying costs of attending higher educational institutions.

IV. Institutional Responsibilities, Costs and Resources

1. Social Responsibility. NAICU will continue to advance and support the unwavering allegiance of independent higher education to the social policy goals of equal opportunity for educational advancement regardless of race, sex, or handicap -- and also, regardless of any initiatives to achieve "deregulation" and/or "regulatory reform" in higher education. We embrace these social policy goals as part of our fundamental responsibility as institutions of higher learning, working in a common and cooperative effort with federal and state governments.

2. Self Regulation. Espousing the principle that self-regulation is almost always a preferable alternative to governmental regulation, NAICU will continue to seek ways to strengthen the capacity and resolve of independent colleges and universities to construct effective systems of self-regulation which assure equal opportunity for educational advancement regardless of race, sex, or handicap, and

which also address such specific and tangible administrative issues as admissions and recruitment practices, student expense budgets, normal academic progress and good standing, and off-campus operations.

3. Accreditation/Eligibility. NAICU continues to seek a mutually supportive relationship between government regulatory agencies and the voluntary accrediting community, based on:

(a) maintaining the linkage between institutional accreditation and institutional eligibility to participate in federal and state assistance programs;

(b) strengthening the capacity and resolve of voluntary accrediting bodies effectively to assist their member institutions in achieving and maintaining administrative good practice as well as quality of educational programs; and

(c) strengthening the capacity of the Council on Postsecondary Accreditation (COPA) to encourage institutional self-regulation of administrative practices.

4. Protection Against Government Control. NAICU seeks to incorporate into all federal and state legislation affecting higher education the basic statutory protection of the General Education Provisions Act (GEPA) against any federal "direction, supervision, or control over the curriculum, program of instruction, administration or personnel of any educational institution" -- together with legislative language to make clear that this protection against governmental intrusion upon the internal administration of higher educational institutions takes precedence over other requirements of federal and/or state law.

5. Regulatory Reform. NAICU seeks to build on the gains secured in the Regulatory Flexibility Act of 1980 through enactment of more comprehensive regulatory reform legislation:

(a) to relieve the burdens of regulatory reporting requirements on higher educational institutions;

(b) to strengthen and reinforce current statutory prohibitions against the imposition of final rules and regulations on higher educational institutions without proper and adequate responsiveness to public comments made on Notices of Proposed Rule-Making (NPRM's), rather than just the recording of such comments;

(c) to provide for Congressional review of rules and regulations applied to higher educational institutions, to certify their accurate reflection of Congressional legislative intent;

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(d) to strengthen the "due process" guarantees to assure that higher educational institutions charged with violations of federal regulations are deemed innocent until proven guilty;

(e) to provide a system of penalties whose severity is directly proportional to the severity of the proven violation;

(f) to provide for reimbursement of legal costs in cases where higher educational institutions are vindicated; and

(g) as a last resort, when all preventive remedies are exhausted, to authorize reimbursement of direct (non-programmatic) costs incurred by higher educational institutions in complying with federal mandates and defer implementation of such mandates until federal funds are provided to reimburse such direct costs.

6. Support of Quality in Higher Education. NAICU believes there is a strong national interest in encouraging and assisting colleges and universities in retooling our industry to meet the new needs created by burgeoning technological innovations and general economic conditions so that higher education can continue to provide high quality research and instructional services to the nation:

(a) We are particularly concerned about deterioration of capital plant and equipment, and therefore seek to maintain and extend federal assistance programs for renewal and renovation of capital plant, such as the academic facilities programs authorized by Title VII of the Higher Education Act, the College Housing Loan program, and the Energy Grants program authorized by Title III of the National Energy Conservation Policy Act.

(b) We will press for new initiatives which will seek to ease the acute equipment shortages of our colleges at both the instructional level where literacy in the new technologies is becoming a must and at the graduate research level where our laboratories are, on the average, two or three generations behind state of the art technology.

(c) We also are concerned with the deterioration in our current science education system and support Congressional opportunities to rebuild federal efforts in science education so that these efforts more effectively can share with state and local governments and the private sector the responsibility for and the costs of rebuilding American science education.

(d) We also are concerned about the deterioration of library resources, and therefore seek to maintain and extend support for the College and Research Library Assistance programs authorized by Title II of the Higher Education Act.

(e) We also are concerned that the federal government maintain its support for co-operative education programs, in the conviction that such programs provide an imaginative way of linking together academic study, self-help, and career preparation.

(f) Finally, we are concerned about maintaining and advancing the quality of instructional programs and services through which independent colleges and universities effectively address the needs of minority and other disadvantaged populations, and therefore seek to maintain and extend federal support provided under the "aid to developing institutions" programs and the Student Special Services programs authorized by Titles III and IV of the Higher Education Act.

7. Protection of Nonprofit Tax-Exempt Status. NAICU is increasingly concerned about the steady erosion of the tax-exempt status of independent colleges and universities, through continually expanding reliance by federal and state governments on employment tax mechanisms that make no distinction between for-profit and not-for-profit enterprises. NAICU therefore will continue to monitor closely all employment tax issues, and will continue to seek enactment of legislation to provide substantial relief from scheduled increases of such taxes through a system of income tax credits for all employees and for-profit employers, and rebates to not-for-profit employers.

V. SEPARATE STATEMENT ON ADMINSTRATION'S FY84 BUDGET

The National Association of Independent Colleges and Universities (NAICU) is encouraged by several aspects of the Administration's proposed FY84 education budget.

The philosophy of student self-help on which the budget is based has been the traditional financial aid philosophy at independent colleges and universities and is particularly welcome. Further, the proposed increase of College Work-Study funding enhances a program which has been a most valuable component of student financial aid, involving students in helping themselves by working both on campus and off campus.

Although it is too early fully to comprehend the effects of the proposed restructuring of the Pell Grants program, and it requires considerable further study, we are encouraged by the inclusion in the proposal of the dramatically increased maximum award. On the other hand, we also are deeply troubled by the Administration's proposal to eliminate funding of the SEOG, SSIG, and NDSL programs, since these three programs provide the essential supplemental assistance needed for low- and moderate-income students to choose the independent college that best meets their educational needs.

VI. State Legislative Policy Statement

Independent colleges and universities directly serve the public interest as integral though autonomous partners in the pluralistic system of higher education. While assuring access, choice and diversity, these institutions provide quality and value-oriented education at substantial financial saving for the citizens and taxpayers of the states.

I. The public interest requires that each state should activate policies that recognize and encourage the invaluable service role of independent colleges and universities. These policies should be coupled with a statewide postsecondary education plan and process involving full participation of all sectors of postsecondary education, including the independent sector, and specific representation on 1202 Commissions. However, such policies must not compromise the autonomy and integrity of independent colleges and universities.

II. Through its policies and plan each state should address itself to three key components of independent higher education -- students, institutions, and donors. Within the context of its carefully determined purposes and legal and fiscal strengths, each state should employ a combination of the following elements:

A. STUDENT ASSISTANCE

States should strive for and continually re-evaluate comprehensive student assistance programming within the following spectrum:

1. Non-Need Based Grants (Tuition Equalization): Every student should have equal access to the state resources allocated to higher education. Because every one of the fifty states provides non-need based subsidies for students attending state-supported institutions, we urge that each state seriously examine the concept of non-need based tuition equalization grants for students attending independent institutions.

2. Need-Based Student Aid: We urge each state to develop and adequately fund programs -- coordinated with the federal student assistance programs -- to provide all students with access and choice to all of higher education, based on financial need.

3. Academic Scholarships: States should establish and support grants recognizing and encouraging academic potential and achievement, to be utilized at the institution of the student's choice.

4. Student Loan Programs: Each state should have a student loan program to supplement the federal programs.

5. Categorical Programs: Where categorical programs exist, they should be nondiscriminatory with equal access and choice among public and independent institutions.

6. Portability of Student Aid: State student financial aid funds should be portable on a reciprocal basis.

B. INSTITUTIONAL SUPPORT

Each state should develop programs to assure the vitality of independent higher education.

1. Direct Institutional Aid: Direct institutional aid recognizes and supports the critical role of independent institutions in educating state citizens at a substantial saving to the state.

2. Contracts for Services: States should consider contracting with independent institutions to provide educational services.

3. Aid to the Handicapped and Energy Conservation: Increasing requirements for aid to the handicapped and energy conservation entail state obligations for assistance in meeting those requirements.

4. Tax Exemptions: Each state should support and encourage independent higher education institutions in the performance of their educational purpose by maintaining exemptions from property and sales tax.

5. Technical Services and Resources: Independent colleges and universities should have access to state technical services and resources, such as computer and library networks. Cooperation between state-supported and independent institutions in such areas should be encouraged.

6. Program Duplication: States should prevent duplication and overlapping of facilities and programs by state-supported institutions which threaten existing independent institutions.

7. Pre-College Counseling: The range of opportunities available in both independent and public higher education should be fully and accurately presented by pre-college counseling.

C. CHARITABLE CONTRIBUTIONS

States should provide incentives for charitable contributions to higher education through tax deductions or credits.

Mr. KOGOVSEK. What is the cost of attendance at Greenville College?

Mr. STEPHENS. $6,300 a year.

Mr. KOGOVSEK. That is the total amount?

Mr. STEPHENS. Room, board, tuition, and fees.

Mr. KOGOVSEK. If the President's proposals went through as far as the cuts we are talking about again this year—and you have told us how many students you have lost in the last couple of years—how many do you project for this next year?

Mr. STEPHENS. I would see at least a 60-student loss. The reason that I say that is we are already building next year's budget. As we have studied his plan, we are looking at trying to pare the budget down on a level like that, so approximately 60 FTE.

Mr. KOGOVSEK. I have a question for Dr. Blake. The administration's proposals claim to encourage minority institutions, but the reduction of student aid in the discretionary programs negatively affect minority students. Can you comment? I think you did a little bit on that. Can you comment on that inconsistency?

Mr. BLAKE. What has happened over the last 15 years has been essentially financial aid being made available. I think without the financial aid programs having been made available we would not have gotten the kind of expansion in minority enrollment that we have seen essentially since about 1968, in which, among blacks, for example, the enrollment has literally tripled. I think my colleague here was commenting on the way in which that has happened.

On the other side, however, there has been an additional stimulus that has come from programs like Upward Bound and Special Services. There were also within some States State programs, particularly within the public schools, which also called higher education as an option and as a possibility to the attention of young people.

One of the most important things that I would comment on about the way in which this thing works is that many of these young people have to be convinced that financially, higher education is a real option for them.

What has begun to happen with the currents that have been swirling around these programs in the last 2 or 3 years is that many young people, in terms of unemployment, the kind of negative atmosphere in the country, they are beginning to think, without even looking at it critically, that higher education is no longer really an option, it is not something that they really ought to look at.

So, the cuts in a program like Upward Bound and Special Services on the one side and then on the other side the dropping of some of the most flexible programs—like SEOG, NDSL, and so on—cuts into the ability to both influence students to make the choice to try for higher education and then also to be able to package help for them so that with their own work and with their own family's contributions they then can, in a sense, have a chance for upward mobility.

So, in my mind the way in which the budget is fashioned does not adequately take into account the overall psychology of the way in which minority students come into higher education.

I think that ultimately they could have a negative impact, particularly when a person may look at a total cost, even in a moderate priced institution, of say $3,000 to $4,000. They see that there is an up-front qualifying cost of $1,200 or $1,600.

Well, it is very hard for me to say to a black kid and his family, "Well, there are ways to come up with the $1,600." It is just very hard because they just simply are not likely to believe you, that if that is the ticket and I have to put that on the table first, then we are very much concerned about how that will impact continued enrollment of minorities in college.

Mr. KOGOVSEK. Thank you.

Chancellor Murphy, given the choice between increasing the maximum award to $3,000, as indicated by the President's request for the self-help grants, and maintaining the current award with other forms of available aid—SEOG, SSIG, NDSL—which would you prefer?

Mr. MURPHY. It is a difficult question to answer, partly because City University, oddly enough, would do very well under this arrangement, but I think it is an anomaly since all our students are commuting students. We have no dormitories.

I think that institutions of that sort might not suffer all that badly. I would not like to be put in the position in which we have to choose one program over the other. What we would like, I think, and I think that represents all the views here, is to have the Pell grant return as the basic grant on which the package is built.

It is largely a question of money, but it is also a question of disposition. For years now we have said, and for years now we have come up with good evidence, good faith, by saying yes, you can go to college, and that first package of things that you are really terribly worried about will be forthcoming.

In some States, of course, there has been an overlay on top of that of tuition assistance programs. In my own State, the State has been supported with $1 billion a year in tuition assistance programs for all sectors—public, private, everywhere.

Once that initial step is overcome, if we are going to have a basic grant, then you can sit down and figure out how much work you have to do in the summer or how much can your family afford, if anything.

By turning that around it means that the question that always faces a poor student is a barrier right from the outset; namely, how much money have you got in your pocket and then we will build the package, which I think is how it is being described, is what is going to dissuade a lot of people from taking the first step.

I don't think anyone wants to argue against the point that there ought to be some self-help wherever possible. But that self-help has to be within some kind of a defined context and it has to be realistic.

Right now, for example, we talk work study in the city of New York. A lot of that work-study or a lot of that self-help has to occur in the summertime, but the unemployment rate among black students—that is to say, those in the 18-to 22-, 23-, 24-year-old category—in New York City right now is over 50 percent. That is with all the kinds of ancillary programs that have been put into place.

Even with Rockefeller's Partnership put into place, the Private Industry Council jobs program put into place, the city's job programs put into place, we still have a 50-percent unemployment rate. That package ought to be built on a solid foundation, the foundation being Pell grants which was how it was intended.

Mr. KOGOVSEK. Thank you very much.

The gentleman from Missouri, Mr. Coleman?

Mr. COLEMAN. Let me first of all thank all of you for very good statements and a wide range of viewpoints.

Let me start off by saying that I agree with President Olson when he said that it is unreal that the administration proposes to zero out title VI funds at a time when, if anything, the United States needs to know how to get in the international markets and make sales abroad.

That is one of the main problems this country faces, and to strike international education down to zero is very shortsighted and completely incomprehensible. I would suggest that there will be widespread support on trying to restore those particular funds.

Let me ask all of you this question, if you could just briefly answer it. I would like to have brief answers by everybody to all my questions. Let's just talk philosophy for a minute.

Do you oppose the concept of self-help? Should a student be able to provide through work, savings, loans, or his own resources, or family resources, before he turns to the taxpayer for a grant? Is that philosophically inconsistent or incompatible with any of your viewpoints? If so, why?

Mr. BLAKE. No, I am not opposed to that philosophically. In fact, one of the things that I see in my own institution, which is also a private school, is what I call the mystery component; that is, you look at a kid that comes out of a family whose gross family income with everybody working is about $14,000 a year and the total cost for that student going to school, if they are a commuting student, in my institution, is about $4,000.

On the average we put together grants and awards that are averaging now about $2,600. So that means that that student still has another $1,400 to come up with, out of a family in these times that is only making $14,000 a year.

Most of the students and their families tend to come up with that money, though I must say, looking at what has been happening in our collections over the last couple of years, we have begun to see an increasing number of those families asking us if they can carry over their indebtedness to the college over the summer, which we don't like to do. We would like to get the money before they go home, but if they don't have it, you can't get it.

I think what my colleague from New York is saying is it is not that we are opposed to self-help. I think that people who are in higher education at least in the black colleges are really putting out as many resources as they can rake, scrape, and borrow to keep their children in college.

It is the psychology of it, it is the disposition of it that is bothersome. Where it comes across that in order to have an opportunity to better yourself you have to have x amount of dollars up front and that you have to put that on the table and if you put that on

the table then the other system will kick in and help you, that is the part of it that is troublesome to me.

Not that we don't say that you have to help yourself, but for people who are still coming into this system of opportunity for the first time and for whom the kind of upward mobility that we see, that is just really incredible. To say that to them is a real problem.

I went to high school in central Georgia, a small rural county, to make a commencement speech. There was a young woman who introduced me who was valedictorian of her class. I am always recruiting, so I wanted to know where she was going to school.

The principal said she was not going to school because she came from a poor family and she wanted to work a year before going to school. I said, well, you tell her that if she is first in her class, that she should sign up and come to Clark and we will find a way to finance her in school.

Then I got back back to the campus and decided I would call. I couldn't call her on the telephone. Her family didn't have a telephone. I had to call the high school. They got her, we cooked up the deal, and she came.

At the end of her first year in college she came in and said that she was not coming back the second year because even though we had put together a package of financial aid for her and she was now on the dean's list, she still felt she had to drop out.

So, I had to counsel with her and say no, you don't do that, we will try to help you get a summer job, then you come back in the fall and tell us what your situation is and then we will try to put the package together.

See, for students like that, if they are looking at something that says you can't put the package together, Dr. Blake, because it says that I have to have $1,200 or $1,400 or $1,600 before you can even start to help me, then I doubt that I can hold a lot of students like that in the system. These are people who really want to help themselves but who I think will make bad decisions.

Mr. STEPHENS. We would find that the self-help concept makes a lot of sense to us. We think that when students and parents can plan and invest their own funds, that it is going to give a more serious note to the work that they do.

I have some real questions about the proposed 40-percent self-help, which is an increase from the 25-percent self-help figure I think that is in the 1980 amendment. We just seriously question that people can come up with 40 percent. I could cite cases, just like Dr. Blake has, but to have some self-help and to be able to give us freedom on how we are going to get that self-help is an important factor if we are going to have students move with us.

Mr. OLSON. I surely support the notion of self-help. I think that it is important to have a degree of realism and flexibility in the system.

Mr. MURPHY. You will get no philosophical quarrel from me about self-help. I guess my colleagues will agree that self-help is a virtuous thing, but I think there are two things that have to be there.

First is the opportunity for helping one's self, which means job opportunities, I think, and parental job opportunities. The other, that it be applied in a way that requires that it be for the comple-

tion of some kind of package so that the package can be an inducement to somebody to believe they can get in and make it in the first place.

Mr. McAninch. I don't think that you will find we are philosophically opposed to self-help, either. I think the concept is one that we all agree with. However, and the other gentlemen have said it very well, you have to first be able to help yourself.

We are a kind of a last chance institution, commuter in nature. We are in the inner city and urban areas. Many of the students that we serve are an average age of 28, out of work, reentry type, oftentimes female. There is no possibility of self-help at the beginning, to get them in, and that becomes a barrier.

Our job, as we see it, is to knock down barriers, not put them up. Once you get them there and get them started, then you can begin to put together a package, of which self-help is a part.

Mr. Coleman. Let's assume we have a limited amount of money, even though we pretend that we have infinite amounts of money around here. If we came up with a different mix, would you support or do you think we should look at bringing SEOG's and SSIG money into college work-study? Is anybody in favor of that?

Mr. Stephens. I certainly wouldn't be.

Mr. Coleman. If not, give me a couple of good reasons for the record.

Mr. Stephens. I like the idea that has been proposed that the college work-study funds go from $540 million to $860 million, something of that sort. One question we face in the sector I am from is how many more hours a week can a student work and attend to his courses? We have a maximum of 12 to 15 hours a week. If they are going to have time to really study and be there for the reason that they are enrolled, how much more can we use?

We have more students who do not get college work-study money who could go on that and could help us, but the major thing is that if there is no SEOG fund, that just removes the prospect of helping students who really have great need.

That is a $2,000 maximum grant now, and we have 200 students on that. If that were just completely wiped out, I could not get those 200 students college work-study jobs. There is just no way. I don't even have that many jobs.

Mr. Coleman. Let me ask a final question at this time, Mr. Chairman, if I might.

Do any of you feel that the NDSL program and the guaranteed student loan program are duplicative and, therefore, should we consider phasing out the former? Does anybody support that? Would somebody care to be a spokesman and tell for the record why you wouldn't support that?

Mr. Blake. If the NDSL program is phased out, then there has to be some provisions made for some kind of guaranteed access of last resort because what we have found in the black colleges is that a lot of the lending institutions just simply are not too interested in making loans to many of our students and their families.

The NDSL program has been a program that has enabled us to help these students with loans. If there is going to be just one program, then it has to be fashioned in a way that takes into account

that in certain groups and certain kinds of students, there has been difficulty in the past getting these loans.

This is particularly true in States where they do not have a fairly large and effective State loan program which then serves that particular function. So it would be with that caveat and that concern because the accessibility to loans is a serious problem with some students and their families.

Mr. MURPHY. A direct loan does help poorer students, but both questions seem to elicit in some way the same response. I think all the empirical data we have—and college board people have done recent studies—shows it is pretty clear that the poorer a student is, the less likely he is to have done well.

That seems to be as clear as anything could be, both in terms of the data and our experience with programs of one kind or another that have targeted in on poor people, working class people since the poverty wars of the sixties.

Some of these programs are intended to take into account the facts about a student—which is why that self-help question is a difficult one. I think it does raise an important issue. It directs itself as to just exactly what is it we are expecting of somebody.

I think if you look at the numbers of social dollars invested in a student who goes, as an offspring of mine might, to an expensive private institution, or yours, and if you took into account the number of social dollars that goes into the life of an 18- or 20-year old in an urban institution and its hours, I can tell you what the difference is because we did the study not too long ago.

You may be interested to know that you have invested from dancing lessons, French lessons, orthodontist fees, summer vacations, tours abroad and all the rest something like $165,000 in your offspring. It may be a shock, but over a 20-year period that is what you have done.

A comparable student in many of these urban institutions without dormitories, living at home or being emancipated, the total social cost is not much more than about $40,000, and that includes social programs that have gone to support them.

So, we are dealing with people who are very seriously deprived. Anything that strikes out whatever kinds of moneys are available to them to start school, at the opportunity to go to school, brings about the kind of defense of both reversing the administration's proposal with regard to Pell, as well as things like direct loan, as well as building a base of public dollars on which many of these people can then build the rest of their lives and career.

Mr. COLEMAN. Thank you, Mr. Chairman.

Mr. KOGOVSEK. The gentleman from Pennsylvania, Mr. Harrison.

Mr. HARRISON. Thank you, Mr. Chairman. I really just have one question. I would be curious as to the response from each of the sectors.

I think we have had some eloquent statements spanning the range of higher education, and if I understand the philosophy of the reorientation of the President's educational policies, it is that we ought to put self-help first.

I guess self-help in large part depends on the ability to work and be compensated. I was interested in Dr. Stephens' remark that there are just so many hours one can work and still have time to

learn at night, to do homework and whatever else one must do while in school.

What would be the effect on the potential for self-help in light of a possible subminimum wage for teenagers? Do any of you have any estimate as to how, if that idea were to become law, such a change would impact on the ability of students in your institutions to maintain a standard of self-help through employment?

Mr. BLAKE. I think someone indicated that it really means either the same amount of work for less money or it means more work for the same amount of money that they are making now. It might spread the base of work to larger numbers of people, but it is not certain that that would net out as a real advancement.

I asked an economist at Clark that question, what would be the impact of the subminimum wage just in a general sense for youth. His answer was that he felt that it was a dangerous proposal because it might put a few more young people to work, but it might put them to work at the expense of some adult workers who are in the economy just above them, and that you could have an impact on a group that is very dependent on menial jobs to support themselves as independent persons, and that those factors needed to be looked at very carefully.

I think within our institutions the question of how much work a person can sustain and the fact that reducing the dollars that a person can earn for the number of hours that they work could turn out to be counterproductive in the way in which you try to put these packages together.

Mr. STEPHENS. It is a difficult question to answer. I agree with much of what Dr. Blake has said. About 3 years ago I believe Congress mandated that the subminimum wage for college work study money be raised to minimum wage. One of the things you have to do is get so much money together to pay for the lights and the heat, coal, and to pay for books and a number of other things.

How you are going to get it so that it will balance, you just can't deal with one factor at a time. If we have subminimum wage, thus requiring students to put more hours in in order to get the amount of money so your budget can balance, why don't we work on the rates of gas and have that come down so that we can have a more balanced approach to it? There are so many factors in this thing.

Mr. OLSON. I don't have specific information with respect to our own institution, but I am inclined to agree with my colleagues with respect to the general impact of the subminimum wage.

Mr. MURPHY. I think it exacerbates a problem we have been talking about; mainly, students need the time, particularly many of the kinds of students we serve, to make up for whatever academic or educational deficiencies they may have had. To make them work a longer time for the same amount of money or less doesn't make much sense.

Mr. MCANINCH. I think the question has been addressed very well. I think it assumes that the lower minimum wage would create jobs. I think that may be an assumption that has yet to be proven. It may create jobs but I think Dr. Blake put it pretty well, that it may create it at the expense of people who are already out of work or about to be out of work.

Mr. HARRISON. Thank you very much.

My question came, Mr. Chairman, from a remark from Chancellor Murphy. I just thought that it would be helpful for the record if we had the perspectives of a range of academic institutions because I think the academic perspective on that whole question is one we haven't heard before.

Thank you.

Mr. KOGOVSEK. The gentleman from California, Mr. Packard.

Mr. PACKARD. Thank you, Mr. Chairman.

Let me first ask Dr. Blake a question. What group of students do you believe is most affected by cutbacks?

Mr. BLAKE. These comments are to be taken very roughly because there are some imponderables and unknowns in these proposals in regard to how parental contributions are going to be calculated, whether the allowance, for example, is going to go from $1,500 to $3,000.

Assuming it all went into place, it appears that the lowest income student and the moderate-income student at the moderate priced, the medium-priced institution might very well sustain a negative impact because the $3,000 grant that is put there, you don't appear to be able to reach it until the educational costs are up somewhere in the $5,000 or $6,000 or $7,000 range. Then you can get a $3,000 grant. But if you are going to an institution where your total educational costs are half of that, then you can't get the maximum grant.

Some of the arithmetic that I have seen suggests that some students might not be getting the same kind of grant package that they get with the combination of the Pell grant and the SEOG and the State grant all put together in a package.

When you pull out large portions of that, it looks as if that particular group of students might be hurt the most, the low- and moderate-income family in the low- and moderate-priced institution.

I say that with trepidation because it is on a whole lot of presuppositions that a whole lot of things about this are going to be put into place. I would repeat for you the statement that I made; that is, we are still talking about a total package of student financial aid that is not expanding.

Costs in all sectors are expanding, so the low- and moderate-income families are going to be subjected to more and more stress because that is where more of the unemployment is. Blacks generally only make 57 percent of white income, so that as those costs go up and your programs are remaining level, no matter how you mix it within that level there are only so many dollars. Therefore, you are going to create greater stress in low- and moderate-income families, regardless of the choice of institution.

Mr. PACKARD. Do you feel that perhaps minority groups, because they fit more into those categories, would suffer more than the average student population?

Mr. BLAKE. It appears as if they might, particularly because they are concentrated so much in low-and-moderate-income institutions. Even in the private sector where the private sector schools are not expensive schools, there are some indications that they can't get the same kind of benefits out of that program. If one took the Pell grant up to $3,000 and left it within the current kind of program,

then I think that would be a great benefit to blacks in our kinds of institutions.

Mr. PACKARD. Dr. Murphy, do you tend to agree?

Mr. MURPHY. The nature of the kind of students we serve, community college students, often make up their mind at the last minute, it is a last chance kind of institution. Therefore, coming up with a self-help package ahead of time would be very, very difficult for them. I think it would create another barrier to that kind of student. We have over half a minority population in our institutions.

Mr. OLSON. I would like to suggest that graduate students as a class of students would be severely disadvantaged. Among the graduate students, I think the minority students would be perhaps more severely disadvantaged through the proposed elimination of the GPOP program.

Mr. PACKARD. Most institutions have an inventory of job opportunities that they work with all the time. Perhaps some of it is generated within the institution itself, and some of it is formulated in cooperation with the private sector surrounding the institution.

Do you have systems built into your institutions under which the needy students are given preferential treatment in those job selections? How do you manage your inventory of job opportunities that are available to students generally? I don't have any preference as to who would answer.

Mr. STEPHENS. For any campus work the student must show a need first. It is a part of his or her aid plan.

Mr. PACKARD. Is that by institution policy?

Mr. STEPHENS. Yes, this is a policy that we have. We find that there are some jobs that we have which require certain skills that students in high need just cannot fulfill. If you are going to work in a lab, if you are going to be an assistant in a lab and you are not able to do the work, even though you may not have need, if we need a lab assistant, we will use these funds to help that student.

The policy is that our aid, our work aid, is need-based aid. We try to live by that.

Mr. PACKARD. Does that take into account the family's ability as well as the student's ability?

Mr. STEPHENS. Yes, that is what we mean by need-based. The family income and the cost are the factors by which we determine need, Mr. Packard.

Mr. PACKARD. One other question. This is a theoretical question, but it ties in specifically with our problem. If you knew that we had limited amounts of dollars that could be geared toward student aid do you believe that the programs that have been instituted or the ones that are proposed are the most effective ways of assisting students in their educational opportunities?

Mr. MURPHY. The gist of what a lot of people have been saying, and I am inclined to agree with it, is that the greater the flexibility the institution has of matching the dollars and opportunities to the particular student and their particular needs and problems the better.

As far as the work-study thing is concerned, I think it is natural for people to want to give it to those students who financially need it the most, but very often those who financially need it the most

are also the ones who need remedial and compensatory work the most.

To force them to work as part of the package right at the outset is a kind of double jeopardy situation for a lot of them. In fact, my State has an additional program to the Federal program called SEEK, which is even more of a basic grant, which tries to buy that student out of a work study necessity, at least for that period of time it takes to bring them up to be able to compete with students and the kind of work they are normally expected to do in their freshman year.

My guess—and I would speak for all my colleages—that the more flexibility we have in putting packages together, the more likely we are to use the money intelligently, with less bureaucratic redtape, with all the accountability with public dollars and their expenditure require, and probably at a far greater level of production for the dollars invested.

Mr. PACKARD. There are two philosophies that seem to prevail in assisting students. One is to give everyone an equal opportunity for a college education; the other is that the moneys could be most effectively used by those who have greater academic aptitude.

Would it be best to have a lot of flexibility and local control within the institutions regarding where and how the money is to be dispensed, or would it be better for it to be targeted by law?

Mr. OLSON. If I might speak to that, Mr. Packard, I think it would be far better to retain the greatest degree of flexibility possible. Institutions make their decisions with respect to admission and need-based scholarships on the basis of their own judgment.

I would hope that we could maintain a system that provides for the need-based assistance within the framework of institutional judgment. So I would surely opt for flexibility.

Mr. PACKARD. I have no more questions, Mr. Chairman. Thank you.

Mr. SIMON [presiding]. Mr. Petri?

Mr. PETRI. Thank you.

I apologize for not hearing all of your prepared testimony. I wonder if in a nutshell—you may be covering the same ground again—are you objecting to the thrust of the administration's proposal, which I think is to emphasize, as I understand it, giving people as much of a feeling as possible that they have earned their education and they and their family have done it rather than the Government doing it or someone else giving it to them?

Do you object to that thrust? Do you feel that they are going about it in a ham-handed way? Do you think it is a great thrust but we should figure out some other way to do it? If so, how do you do it except by giving the people the feeling that they are working for what they get? Can you address that?

Mr. STEPHENS. I don't think the concept is anything new. Self-help has been with us a long time. Independents have been working on the self-help theory for a long time.

I think that as I look over what the President has set forth, it is such a different concept of self-help from the systems of aid that we have had in place and that parents and people have been counting on that even in schools like mine, where there has been a high level of self-help, it has really hurt us.

I am sorry you weren't here to hear that under his plan we have lost Pell grants, that we have lost from 200 and some SEOG grants to 100 and some this year; that we have lost 100 students over the last 2 years.

This is a school that talks about self-help. If I have to do much more self-help, we are not going to have a school for anybody to help themselves to. That is kind of an overstatement and expresses the way I feel rather than the way I really think, but I have the written data on it.

Mr. PETRI. Those sorts of figures are true, but the population curve is such that that doesn't necessarily automatically prove anything; that is to say, we have had smaller universes of kids in the lower grades and the populations have been declining in school districts and we have been closing schools for a long time. It had nothing to do with the administration, it had to do with birth rates 15 years ago.

I don't know if it is true or not. All I am saying is that it is interesting to hear, but I just wonder what it means.

Mr. STEPHENS. These rates of loss are much greater than the decline of birth rates. Also, when I show that 140 students, fully admitted new students, last year didn't come, didn't show—and we did a phone study followup of each one of them, called every one of them, we had 110 last year who didn't show, we had 104 the prior year that didn't show—it is not a matter of not wanting to come, it is a matter that the aid hasn't been there to really help them come even though for 25 years their parents have been planning on this kind of aid, voted people in office, Congress and others, bipartisan plans, and here all of a sudden in a couple of years it is gone——

Mr. PETRI. But it is not a case of people just being unwilling to work or make any effort at all for what goes to their education and when it wouldn't be handed to them on a silver platter they then said well, forget it?

Mr. STEPHENS. Absolutely not. That is one of the—I should speak in more dignified terms——

Mr. PETRI. I get asked questions like that back home, so I figured I should ask the people who know.

Mr. STEPHENS. You ought to look at the facts on it. That is just not the case.

Mr. MCANINCH. Congressman, community colleges are open access colleges. We have an awful lot of students who if they wanted self-help up front couldn't come up with it. Fifty percent of the minority students 18 to 22 years old are unemployed, and most of them are in urban areas. To ask them to come up with self-help ahead of time is extremely difficult, if not impossible.

I don't think anyone is opposed to self-help as a concept or as a reality. It is how you package that self-help when you give it to them. We think with the the present system of flexibility of working with different kinds of packaging and then helping them after they get there with college work study and other kinds of help we can do a better job.

Mr. OLSON. I think it is not so much the thrust. I think everyone is supportive of the thrust toward self-help. I think it is the rapidity with which the system is being changed.

For example, there would be 400,000 fewer Pell grants under the administration's proposal and I believe something like 1 million fewer grants total. That represents just too radical a change from a system that has been working.

Mr. PETRI. So, you would give more to fewer, and you would rather give fewer to more. Is that it, basically? Fewer dollars to more people rather than more—they are proposing raising it, aren't they, to $3,000 from the maximum $1,800 Pell grant? They are not cutting funding or anything, they are increasing funding.

Mr. STEPHENS. I think that does. If you take an $1,800 Pell grant maximum and a $2,000 maximum SEOG grant and collapse those into a self-help and then say now the maximum grant is going to be $3,000 and we are raising things, I don't understand that.

Mr. PETRI. I am just talking about the Pell program.

Mr. STEPHENS. If it is Pell tied with some other cutback, then we are talking about a severe reduction, it seems to me. An $800 reduction in maximum grant is a very hurtful one. If the maximum Pell can go up to $3,000 and hold the SEOG at a couple thousand, then you have an honest-to-goodness increase.

Mr. PETRI. So, you basically wouldn't object to expanding work study and having a greater percentage—they say they want 40 percent more, but you would like to maintain SEOG, if not at whatever the level, if not at $2,000 the first year at some lesser level, but at least give you that flexibility. Is that the basic thrust?

Mr. OLSON. Yes.

Mr. MURPHY. If I may, with regard to some of the demographics, which are interesting, it is true that the number of college age students has been going down, and we all know that it is too late to do anything about that, but it is interesting to note that the percentage of students in public institutions in select places, particularly urban areas, is going up.

The application rate for City University this year is up 11.8 percent over the preceding year in a town in which the numbers of teenage people or college age people is going down even more dramatically than the average population in that cohort is declining.

What is happening is that there are larger numbers of adult students who are coming back to school, often for the second time, having had some earlier and perhaps unfortunate experience or not having had the money to complete it, who are coming back now, very often single parents going back to school in order to get some kind of a skill, particularly in the various community colleges, which will take many off welfare for the first time, and put them into jobs.

The job-getting rate for graduates at community colleges is higher than it is for graduates of BA degree granting institutions, and the average salary acquired is $500 a year higher. I think the average runs about $14,500 because those programs are particularly geared to some kind of vocational or entry level job that is in high demand.

Those are some of the kinds of people who need help, and it isn't useful to contrast those with the conventional 18 to 22 year old undergraduate and say it really would build his or her character if they work 6, 8, 10, 12 hours a week.

You are talking about people who have been helping themselves and helping themselves and helping themselves into exhaustion, and that some of these are programs designed both at the State, I must say, as well as the Federal level.

Mr. SIMON. I apologize again for having had to leave before all your major presentations. I have just a couple of comments, a bit of reaction to my friend Tom Petri's comments, and then one general question.

It seems to me to take the administration figure of 1 million fewer awards—and I think in fact the figure is probably higher than that—has to mean some lessening of student enrollment in our schools. I don't see that you can deny that reality.

The second part—and this gets to the philosophy of the whole thing—the improvement of self-image that Tom Petri is talking about. We don't assume at the high school level that people are going to develop an inferiority complex because they are not working their way through high school. We have assumed that it is in the national need and the national interest that we make that accessible.

I really believe the same is true at the college level because no matter how much self-help there is, in fact the bulk of the provision, whether it is private school or public school, is coming from the public in some way.

I am, third, concerned by the trend that if the administration program goes into effect, a trend that you mentioned about your applications being up, in part they may be up because students are not able to go to the Greenville colleges, to the Clark colleges.

What we are ending up with is an economically segregated higher education community. It seems to me that the administration proposal accelerates what is already an unhealthy trend.

Assuming that we, basically, keep the programs where they are now, but assuming also because there is at least the possibility of some modest increase, because we are going to have a drop of about $900,000 in expenditures because of interest on GSL, if there could be some modest increase in assistance that would partially make up for the inflation that we have had these last couple of years, not fully make up for inflation, if there could be some modest increase—and I would ask each of you to speak for your own institution, not for your associations—where would you like to see that modest increase placed? In Pell? In college work study? In SEOG? Where would you like to see us put some additional money?

There is a little consultation going on there, I notice.

Mr. STEPHENS. Congressman Simon, I would like to speak to that.

I would like to see the funds—not talking about an increase—but replacing some of the Pell dollars, SEOG dollars which were cut out in the most recent action. That is the kind of language I would prefer to use, and I defer to you because you work in this daily, but I think it should be in the basic grants part of the Higher Education Act.

Mr. SIMON. Had we not changed the law, for example, we would be up around $2,300 on Pell grant right now?

Mr. STEPHENS. Right.

Mr. SIMON. Frankly, we can't come up with any $2,300, but if that could move toward $2,000, something like that, that would be of significant help?

Mr. STEPHENS. Yes.

Mr. BLAKE. I would agree with that. I would agree with the comments in terms of my institution, that if we could get some movement in the Pell grant and also to get some modest movement in SEOG, that would be my preference.

Both of us are from what I think are called modest cost private institutions, where my tuition is below the national norms for private school tuition because of the clientele we serve. We serve a clientele where the average income is only about $11,500 a year, which means that 50 percent of the students' families make less than that.

So, the erosions that we have seen in the Pell grant, particularly for those students, it would be extremely helpful if there could be some modest movement in Pell grant and SEOG because it seems that the greatest pressures in modest cost private schools, such as mine, appears to be coming on those families in that range of income, from about $6,000 or $7,000 up to about $15,000 to $18,000 a year. We just don't think they are going to survive very much longer in this kind of institution unless something happens on the grant side.

Mr. SIMON. Dr. Olson?

Mr. OLSON. This is a difficult problem because there is not enough money to go around, and I would surely suggest to try to maintain the balance and the flexibility, to have some movement in the Pell grant.

College work study, the administration is proposing an increase in the authorization, I believe, and I think it would be helpful if there could be some effort made to reach that. In a specific program, in view of the fact that one of the savings results from the lower interest rates, I would hope that consideration be given to not increasing the origination fee, to possibly even reducing it or even eliminating it for the loans.

Mr. MCANINCH. Congressman, we regard in our institution, I think in the community college sector, the Pell grant as the foundation and I think that is where we probably would prefer to see any additional moneys go, although we do feel that the increase in college work study would be valuable to our kinds of students.

Mr. MURPHY. I am inclined to agree with the emphasis on Pell. My institution does, in fact, lose some $4 million in the SEOG but makes it up on Pell. I think that the emphasis on the commuting student is an important one since there are larger and larger numbers of students who either go to community colleges or urban institutions who have to live at home. Anything that helps with that living allowance is useful to them.

Mr. SIMON. I thank you.

Mr. Gunderson?

Mr. GUNDERSON. Thank you, Mr. Chairman.

Let me apologize to all of you for not being here during your testimony. Like the rest of the members of the committee, I have three different committee meetings going on this morning and am

trying to rotate between them. I can assure you, because of my interest in this issue, that all of your statements will be reviewed.

I would like to follow up on the chairman's last question in this whole area of where the money ought to be spent. Those of you from the private colleges have suggested in particular that the future survival of private colleges in this country almost seems to depend on some kind of an increase in the Pell grants.

Are you really saying in more direct, blunt English that if we do not provide the grants to these students, that they will then choose a lower cost public institution over your private institution? Is that really what we are facing in the private sector?

Mr. STEPHENS. In a study in our State, that data is now clear. With the loss of Pell grant and SEOG grants, the increased cost of loans plus the losses in our state grant, we have had quite a shift that has occurred in that very way this past year.

One of the things about our state is people in the public are saying that with such a move it increases the cost to them to service those students and in the climate we are in now, they cannot get tax funds to come in to support the service needs of those students.

So, they end up increasing the price to the students, but not at a point that would cover the cost. That shift has actually taken place in our state in a rather large way this past year.

Mr. GUNDERSON. Any documents you have on that study I think we would be interested in.

Mr. BLAKE. One of the curious things that we have noticed is we don't know whether the student would choose a lower cost institution and go to college. We think that some of them obviously would.

We find that among our freshmen, for example, about 30 percent of our freshmen, that our college is the only one that they have applied to. We have never been able to know exactly what that means. We have been trying to, but we wonder what would happen to those students if they don't come to us.

Would they, in fact, go to another school? They may, but we suspect that the best case would be that they would probably not go that particular fall. Because of the cycles of things, they would at least have to go in the winter quarter or the spring quarter, and I am talking now about the traditional college-age student.

There are some complications in the general notion that if a student does not go to a school that costs more, they will in turn step down and go to a school which costs less. At least among blacks we think there is going to be a casualty rate in that and that some people are just not going to make it from one choice to another, at least not in a straight line.

Mr. GUNDERSON. There is a bit of a political difficulty in the statement that all of you made in answer to the chairman's question asking whether you would all prefer increases in either the Pell grant or the SEOG as opposed to any of the loan programs.

If I were to go back into my district, which I think is probably more pro education than many districts in this country, and were to stand up with the average constituency in my district, they would suggest that the money ought to be spent not in grants, but in loans.

If I were to conceptually say I have so many dollars, how can I get the most for these dollars appropriated by this Government, they would say if you give it through the loan program and get it paid back, you can then recycle it into another loan through those programs as opposed to a grant really being a one-time shot.

Recognizing that kind of an attitude, you make it a bit more difficult for the members of this committee who share your commitment to education to try to determine what is a proper middle ground to take, shall we say, to the floor of the House of Representatives.

What I would be interested in is what you think would be a proper debt load that a student ought to be willing to pay back once they graduate from college. By proper we mean, No. 1, what is fair and, No. 2—and these may be different—what will prevent that student from going to college because of the debt that they are incurring.

Mr. STEPHENS. I would like to say that it seems to me that if students, after 4 years of school, have a loan of say $12,000 or more—and that is very high, and a goodly number of our students have that right now, and we are a school of moderate family income, over 40 percent of our homes have incomes of $13,000 a year less—that is a very heavy loan to carry.

I think they ought to carry some loans, and our people are willing to carry loans. I think you could tell your folks back home that with the recent cutbacks in the last couple of years, that the average guaranteed student loan carried has gone up from $1,787 to $2,264, so they have increased loans.

There is one hidden factor, too. We have to raise gift income. If I have a student who leaves with an $8,000, $10,000, $12,000, $14,000 loan, it is going to be a long time before I can harvest gifts from him to help his peers who are coming on.

Mr. GUNDERSON. Let me agree with that from experience.

Mr. STEPHENS. That is a very real factor. If I wait to get those recent graduates started to giving 10 years down the road, I may have lost them. I have to start them early. In fact, when I put the bachelor's degree diploma in their hand, I should ask would you make a contribution next year.

We even find—this is actually true, we hold alumni meetings and we find that some of the recent grads will not come because they think we are going to hit them up for a gift and they already carry a heavy loan.

I haven't actually looked at the students, but some pastors have found that out and they have talked with me about it, so we have found some other way to get them to come to alumni meetings.

I don't want to lose the point. I think it is an awful burden that they have to carry, and I think also it hurts gifts. It is not only private schools that raise gifts. Now Jim is raising gift dollars. It is hurting all of us in that way.

Mr. BLAKE. It was not my understanding, at least in the GSL program, that there was a constriction in the availability of GSLs if we put certain amounts of money into Pell grant and SEOG that have come out of the potential savings from the drop in the interest rate, that your constituents are not losing accessibility to loans because of that, that there would be just as many loan dollars

available to them except that the amount of interest that the Federal Government has to subsidize is lower.

They are not losing anything in this equation. At least that is my understanding of what would be happening. It is not a tradeoff of that kind, that the loans would still be available to them.

Mr. OLSON. In terms of how much should a student carry, I think it depends in part on the kind of profession that the student would be going into. One of the great national problems we have is the encouragement of graduate students to enter programs that require a great deal of study and for which the financial rewards sometimes are not as great. That is a very serious social problem.

Mr. GUNDERSON. When you come up with a solution for that one, we would like to hear about it, too.

Mr. OLSON. Well, the solution is in part, of course, money. It is a recognition of the national importance of graduate education. We somehow need to think of ways to fund opportunities for graduate education, not so much for the individual as for the welfare of the Nation because we simply must have this corps of highly educated people if we are going to maintain ourself in the world in which we live.

Mr. MURPHY. I think probably we would be opposed to anything that looked too formulaic, but there have been proposals—and I am sure you are aware of them—that we tie the loan repayment to some kind of income tax arrangement.

The wisdom there would be that those people who go into lucrative professions and make a lot of money during the course of their lives can either pay it back at a greater rate or at a greater interest and perhaps in a shorter period of time.

Since we have, after all, a graduated income tax system, we might be able to arrange to have those loans paid back roughly in accordance with how much people earn during the course of their lives, which is often enough attached to the value of their education.

Mr. GUNDERSON. Are you suggesting that people ought to pay more than 100 percent of their loans or just the schedule?

Mr. MURPHY. That is not a bad idea.

Mr. GUNDERSON. We disagree on that.

Mr. MURPHY. You are going to get more, anyway, than 100 percent because you are going to be getting more money from them, presumably, during the course of their lifetime because they are going to be earning that much more money and they will be paying that much more in the way of taxes.

Mr. GUNDERSON. Right.

Mr. MCANINCH. Congressman, while I empathize with you in talking with your constituents, I think it is a difficult question to answer in a lot of ways, and part of it is cultural.

If you are a minority student in an urban area and you are not working, any loan is too big. Even the concept of a loan is a barrier, and the student may never start school in the first place because the loan is absolutely going to scare him to death.

So, that kind of a concept for that student becomes a barrier and he will never open the door to a college. In that instance I think it is hard to determine what is the right kind of loan.

Once the student gets started, sees the value of the college and realizes that he is in there, he has accessed the system, then you can begin to talk to him. But up to that time it may be impossible to talk to him in that sense.

Mr. GUNDERSON. Thank you, Mr. Chairman.

Mr. SIMON. If I can add a comment or two on the question, I guess I have among other reasons three concerns about too much shifting in the direction of loans.

One is for lower income families. If you are from a family where the family income is $10,000, a $20,000 loan looks like a huge thing. If you are from a family with an income of $50,000, a $20,000 loan doesn't look like that much.

Second, I am concerned about what happens to the rest of the economy. If we have people graduating from college who also want to buy houses, just to use one example, if you already have a huge loan obligation, there is some reluctance to take on what we have at least until recently considered the traditional American pattern of owning your own home.

Finally, I am concerned—and Dr. Olson touched on it—that we then shift the priorities for the student, that if you have to pay back $20,000, then getting a Ph. D. in English literature looks a lot less attractive than becoming an engineer. We need the engineers, but we also need the teachers of English literature.

We thank you all very, very much for your contribution.

Mr. SIMON. Our next panel consists of Richard Hawk and Dallas Martin. We are pleased to have this final panel.

Richard Hawk is the president of the Higher Education Assistance Authority. We are pleased to have you here again.

STATEMENT OF RICHARD C. HAWK, PRESIDENT, HIGHER EDUCATION ASSISTANCE AUTHORITY

Mr. HAWK. Mr. Chairman, members of the committee, my remarks are directed to the guaranteed student loan program, but I want the committee to understand that we are as concerned about other aspects of proposed reductions for higher education funding as we are about loans. I am addressing loans because that is my area of responsibility.

You are to be commended for your interest in hearing reactions to the administration's budget recommendations for the guaranteed student loan program. Unfortunately, the recommendations are disappointing in several respects, including:

One, the administration is proposing further reductions in guaranteed student loans on top of major reductions enacted during the last session of Congress, to be adopted before sufficient time has elapsed to experience significant savings from those recent changes and prior to opportunity for evaluation of the effects of those changes in the program.

The brief experience indicates that the recent changes are creating a reduction in loan volume of 20 to 25 percent, but the experience is much too short for any valid assessment of the effects of such a substantial reduction.

Two, once again the administration is proposing that far-reaching policy changes be considered as part of an appropriations and

budgeting process, rather than as a part of the more deliberative policy reauthorization process.

The implications of the fundamental program changes simply are too extensive to be assessed thoroughly and too critical to be considered adequately as part of an appropriations process.

Three, at the very time that a significant proportion of the population is suffering from lack of opportunity to work due to continuing high unemployment, which is particularly serious for the nation's youth, the administration is proposing to restrict further opportunity for education and training. This strategy is inconsistent with sound public policy for effective development and utilization of human resources.

Perhaps most disappointing, the administration recommendations seem not to reflect appropriate vision with respect to public policy and action necessary for continued economic and social progress of the Nation.

Just as the industrial society born from the industrial revolution required new forms of human resources, so will the information society which is emerging from the technology revolution.

The information society of the future will require more, not less, highly educated and better trained talent. Moreover, individual opportunity will be increasingly dependent on advanced education, and those without adequate training will become an ever greater economic and social burden on the Nation.

Those who are educated today will become the human capital for the information society of tomorrow. Those who are not adequately stimulated and assisted by enlightened public policies to seek sufficient education today will be deprived of individual opportunity tomorrow and will become a burden to the emerging information society.

Let me remind you that the guaranteed student loan program does not relieve the student of postsecondary education expense. It only provides the means by which a student can realistically assume responsibility for his or her own expenses.

The program helps those who are willing to help themselves to the benefit of the individual and, perhaps more important, to the benefit of this Nation's emerging information society.

In proposing a Federal policy of loans for the full cost of postsecondary education, a more ambitious effort than the current program, William C. Norris, chairman and chief executive officer of Control Data Corp., has astutely observed that the cost of education and training to create human capital is clearly a profitable investment; that human capital is more important than financial capital in a knowledge-based society; and that we can most efficiently create the highest quality human capital and once again assure that the United States can maintain its position of technological leadership in the world and thereby facilitate the creation of the new jobs that are so badly needed.

The vision reflected in Mr. Norris' call for an expanded student loan program seems lacking in the administration's proposals for continuing reductions in the student loan program.

Labor economists have given loud and clear warnings that the current unemployment problem is persistent partly because we are experiencing structural unemployment. Many of the jobs previous-

ly held by the currently unemployed will not become available again as economic conditions change, and the new job opportunities will require higher levels of education and different training than did the previously existing jobs.

Solving the problem of structural unemployment will require more, not less, effort to facilitate access to postsecondary education and training opportunities. Facilitating that access for people who are willing to help themselves is the mission of the guaranteed student loan program, which would once again be reduced with adoption of the administration's recommendations.

In view of the human capital needs of the emerging information and knowledge-based society, in view of 26 million functionally illiterate Americans and 46 million operating at the marginal level or below, in view of chronic structural unemployment, and in view of America's ranking of fourth in science literacy behind the USSR, West Germany and Japan, adopting a public policy position in favor of even further reductions in the largest program which facilitates access to postsecondary education and training would not be in the best interest of the Nation, in spite of Federal budget problems. Further reductions would be a shortsighted and ultimately costly action.

At first glance the administration recommendation to extend to all family income levels the current needs analysis for students from families with income over $30,000 might seem reasonable. After all, none of us wants to encourage unnecessary borrowing, and who should know better how much is necessary for a student than the Federal Government.

After more thoughtful consideration, one must wonder why the cost and redtape of a needs analysis system is required in order to determine that a student from a family with an annual income of $15,000 or $20,000 will be able to pay postsecondary education expenses from that family income only at great sacrifice to the family.

If the administration believes that families with incomes below $30,000 really do have disposable liquid funds available in substantial amounts to pay for higher education, the needs analysis system will be too severe and will inhibit educational opportunity for many who need it the most.

In view of the fact that loans do not relieve students of expense but merely permit payment over time from increased future earnings, the cost and redtape involved in needs analysis for lower income students is unwarranted.

The administration recommendation to raise the origination fee charged graduate students from 5 percent to 10 percent is troublesome in two respects.

First, by penalizing graduate students, the recommendation runs counter to future needs of a knowledge-based information socioeconomic structure which will require larger numbers of persons with advanced degrees.

Second, this recommendation would cause some students to bear a cost for the in-school period which is higher than the cost would be if the interest subsidy were eliminated and the student were expected to pay in-school interest rather than an origination fee.

The 5 percent origination fee may have been a reasonable expediency to offset a portion of the interest subsidy in a severe budget reduction effort. However, penalizing graduate students with an additional 5 percent seems rather drastic, especially in view of anticipated future needs for talent with advanced degrees.

The administration recommendation to require guarantee agencies to return unnecessary loan advances and to increase Federal reinsurance to 100 percent, regardless of the default rate of the agency, would lessen accountability of guarantee agencies for operating effectiveness.

Although the rationale for this recommendation is not stated in the budget, the direct budgetary effect of the recommendation would appear to be assumption of greater risk of higher long-term Federal reinsurance costs in return for one-time savings through collection of reserve fund advances.

The current reinsurance formula causes guarantee agencies with the high default rates to bear a portion of the cost of claims payments and provides 100 percent reinsurance only for those agencies of which the default rate is maintained below prescribed levels.

This recommendation raises a major issue and would create a significant change with respect to the conception of the role of guarantee agencies. By relieving guarantee agencies of any potential loss from defaults, the recommendation would transform these agencies from guarantors, which share some portion of the risk, into administrators, which assist the Federal Government with operation of the program, but which are relieved of risk of financial loss due to high default rates.

Given the importance of guarantee agencies to success of the program, the role of these agencies should not be changed without careful consideration of the long-range impact of such a change on program effectiveness and cost.

Few would disagree that unnecessary advances should be returned. Some reserves already have been returned voluntarily and some additional voluntary returns are planned. Some agencies do not as yet regard advances as unnecessary. This is consistent with differences among agencies in maturity, experience, and a variety of other factors.

Obviously, serious recommendations from the administration deserve your careful consideration. Perhaps elaboration and justification will cause them to seem more meritorious than they appear from the brief statements in the budget document.

In the absence of additional and more compelling information, the recommendations appear to be untimely and contrary to the present and emerging needs for providing individual opportunity and for developing human capital essential to continued economic and social progress of the Nation.

Thank you.

Mr. SIMON. We thank you.

Mr. SIMON. Dallas Martin, executive director of the National Association of Student Financial Aid Administrators.

STATEMENT OF DALLAS MARTIN, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Mr. MARTIN. Thank you, Mr. Chairman.

Again, it is a pleasure to have the opportunity to appear before you. In the interest of time today, since you and I have discussed many of my points, and certainly I have with the two counsels, I would like to paraphrase my statement and make five points about the impact of the President's budget that we think are very important.

First of all, when the administration indicated earlier this year, when we had our initial budget briefing, that they were interested in discussing policy rather than arguing with the community over the dollars of support, we certainly welcomed that opportunity.

We were very pleased to see that at least this year there was a recommendation in the President's budget to continue funding for vital student aid programs at the levels that Congress had approved last year.

We look forward to continuing that policy debate, but we would simply like to reinforce the point that you made at the beginning of this hearing. We believe a more appropriate place for that is through the reauthorization process and not necessarily through this particular budget document.

The second point that I would like to make is that you and your colleagues on this subcommittee are fully aware of the confusion and the disruption that has occurred in the student aid delivery system for the past couple of years.

As a result of that, many students and parents unfortunately have been discouraged from completing the application process. Some have even falsely been led to believe that needed funding simply was not available.

Regrettably this disruption has tended to impact more lower income students and first generation college students than their counterparts. That is simply because those families are far less familiar with the whole system and have fewer alternatives available to them to tide them over.

Therefore, Mr. Chairman, again we would say, as you stated at the beginning of the hearing, that we think this is not the time to embark upon wholesale changes as have been proposed by the administration, but we would much rather see some stability and consistency in the program, at least in the short run.

The third point that we would make is that the options that have been presented in the administration's fiscal year 1984 budget, if enacted, would also dramatically impact and change the current distribution of student aid dollars. That would happen both among groups of students and among types of institutions.

Yet, while the Department has recommended a number of significant changes, they have not yet analyzed the resultant effect to determine who might be helped or who might be hurt by the changes that are going on.

We have done some analysis. While, obviously, it is too soon to do a complete analysis, since there are so many facets of the whole process that are not yet publicly available, we can tell you that

these shifts are going to in many ways take dollars from lower and moderate income students enrolled in modest cost institutions and shift some of those dollars to students enrolled in more expensive institutions. We would also say that if you take the assumption, as the administration has proposed, to eliminate the new Federal capital contribution to the national direct student loan and to eliminate new funding for the SEOG program, obviously the financial aid administrator on the campus is going to lose much of the current flexibility that they have in trying to take care of individual students who have unique circumstances, that simply cannot be accommodated totally through a formula-driven program, such as the Pell grant program.

That lack of flexibility will clearly create more efficiency in the system, but will do so at the expense of equity among students, which is very important.

The fourth point I want to make, and one that I think has come out several times in the hearings today by both members of the subcommittee who have raised questions and the previous witnesses, is some principles that the administration has advanced.

Upon first reading we tended to support many of the recommendations that they have advanced in their budget. Often we have said we would favor moving to a higher maximum Pell grant. It has been frozen for too many years. We are not opposed to that.

We also have no problem saying that we believe that students should have a self-help component before they receive all of these grant dollars. We even encourage the new initiatives that they have put forward to try to encourage parents to the extent that they are able to save for their children's education.

But these are not new concepts. If you begin to examine that particular rhetoric that has been put forward, that is all it is, rhetoric. We are not making any substantive changes here, and people familiar with the operation of these programs know full well that this has been going on for some time.

Let me make some points on that. The Pell grant program, for example, has not kept pace with inflation. It has for many years been frozen at levels that simply are unrealistic in terms of rising educational costs.

We don't oppose moving the Pell grant up to a maximum award of $3,000, but when you do that at the expense of eliminating the grant flexibility of the SEOG or the SSIG program, you are simply saying that for the neediest student, who now comes into an institution with no parental contribution and is going to go to a higher cost institution, that instead of being able to perhaps provide that student with $3,800 of grant assistance, which might be about half of his cost of attendance, we are going to simply limit you now to $3,000 and take away $800 of grant assistance that you had before. Therefore you are going to have to go out and assume even a greater self-help burden, which seems to us to be very realistic. We don't see that this is any help.

The administration has made a very major point in their budget recommendations, that there is a philosophical shift in Federal student aid, to return to the traditional emphasis upon parent and student contributions as the basis for meeting college costs.

This is not a new philosophical shift at all. As a matter of fact, since 1953—and we have been assessing what parents and students can pay—we have always assumed that the parents and the students have the primary responsibility for paying.

Students already have a major self-help component. The need analysis system itself assumes that students come with at least $700 to $800 in self-help as a very minimum before we even start considering the additional kinds of self-help that they will assume through work and loans at an institution.

The Pell grant program itself, since its very beginning, has always been structured not to exceed one-half of the cost of attendance at any institution irrespective of cost. It has always had a maximum ceiling on it. So students and families have always been forced to go out and find that other half of a loaf, simply to go out and find jobs or work or to make marginal sacrifices or all kinds of things.

So to say that we are returning to some kind of new philosophical emphasis is only new in the minds of the people that have not been on campus working with students and parents. It is not new in terms of the public and those parents who are trying to pick up the tab for students going to school.

I would also say that the concept of encouraging parents to save to help their children go to school is certainly a good concept but again, unfortunately, the educational savings accounts that the administration have advanced are really a hollow promise. There is no incentive in there, particularly for low- or moderate-income families, even if they were able to make that sacrifice.

The whole approach is totally flawed. Anybody who would examine it would discover very quickly that most of the benefits under that program would simply go to families in higher income tax brackets, even including the fact that there is a phaseout for families between $40,000 to $60,000.

This is not equitable. We have in our statement suggested another way of trying to deal with this. They have advanced a good concept in terms of public policy, but they have again fallen prey of the budget. Since they really don't want to have any impact on the Treasury, they have chosen a hollow promise.

Today families would be better off to go down with that money and put it into a tax exempt bond. They would have more control and probably better earning potential than what they would get out of this so-called new initiative.

We would simply say that this kind of rhetoric may make good press, and there may be people who think that it is something different, but it is certainly short on substance and it does not fulfill the needs that I believe people in the administration were trying to address.

Therefore, again, we would simply reiterate that we need to take time through the reauthorization process to carefully analyze these changes, to give them thorough review and analysis in the context of that, so we can make certain that we know what we are getting.

The last point I would make, Mr. Chairman, is the purpose of this hearing is to talk about the impact of the President's budget and what should be the role of this subcommittee in making recommendations to the full committee for the Budget Committee.

The President now has made his recommendations clear. He has established certain levels of support that he believes are appropriate for expenditures in student aid. It seems to me that this committee and you and all of your colleagues must carefully weigh those recommendations and compare those against what are the real needs for postsecondary education, to find out what you hope to accomplish with the goals that have been established and what is fair in terms of insuring that we have a well-educated country and have a population that is going to meet the challenges of tomorrow.

Given these responsibilities, we would encourage the subcommittee to at least support the reconciliation levels that were established in the budget in 1981. These levels are certainly modest and reasonable, given the overall needs of our students today and the pressures that are upon us in society.

With those levels we believe that you could fund a Pell grant program with a maximum award of $2,100 moving to 60 percent of the cost of attendance. You could also then restore the three campus-based programs to their original fiscal year 1981 levels, which would be $550 million in work study, $370 million in the SEOG program, and $286 million in the NDSL program.

You could also then go back and pick up and restore the money that has been cut from the State student incentive grant program on a matching basis, and bring that back up to a $76.75 million level. This, along with making no further structural changes in the guaranteed student loan program, could be achieved under the reconciliation levels.

In conclusion, Mr. Chairman, we would encourage you to support those reconciliation levels as you prepare this committee's mark for the Budget Committee.

We would also ask you to continue to support the stability and the current configuration and delivery system for this coming year, and we would ask that the administration's recommendations be carefully reviewed, analyzed, and considered during the reauthorization so that we know exactly what we are getting into.

Thank you very much.

Mr. SIMON. We thank you.

[The prepared statement of Dallas Martin follows:]

PREPARED STATEMENT OF A. DALLAS MARTIN, JR., EXECUTIVE DIRECTOR NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Mr. Chairman, Members of the Subcommittee, I appreciate the opportunity to appear before you on behalf of the National Association of Student Financial Aid Administrators to discuss the Administration's fiscal year 1984 budget proposals for student financial aid.

First, let me say that unlike last year, we are encouraged that the Administration has at least recommended the same total level of student aid appropriations as the Congress approved for fiscal year 1983. However, we are concerned that these levels will actually be a reduction in real dollars by virtue of the fact that there is no increase proposed in total dollars. Therefore the purchasing power of these funds will not enable students to obtain as many goods and services as last year. We are, nonetheless, appreciative of the Administration's change in posture which in turn shows their obvious recognition of the importance of Federal funding to assist needy students. Today however our comments will address the individual programatic proposals advanced by the Administration rather than the total amount of funding recommended.

In general, the Administration suggests that they are proposing a major philosophical shift in Federal student aid; to return to the traditional emphasis on parental and student contributions as the basis of meeting college costs. We would suggest that this is not a shift in philosophy. The financial aid community has for years endorsed the concept that families have the primary financial responsibility for the postsecondary education of their children, and it is upon this philosophy that the Uniform Methodology of need analysis is based. As you are aware, this methodology assesses the ability of families to contribute to the postsecondary education of their children by evaluating each family's relative financial strength and then arriving at a reasonable expectation from the family. This resulting expected family contribution is then applied to the student's educational costs to identify any remaining financial need. This process of first considering the financial contribution of parents and students has been in existence since 1954 when we began to assess need. The Administration's policy is, therefore, not a new philosophical approach for Fiscal Year 1984, but one that parents, students, and institutions have adhered to for many years.

PELL SELF-HELP GRANT PROGRAM

The Administration's proposal, with respect to Federal grant programs, would eliminate funding for the Supplemental Educational Opportunity Grant and the State Student Incentive Grant Programs. The existing Pell Grant Program would be restructured to require a self-help contribution before grant funds could be awarded. This self-help contribution would be in addition to the expected family contribution and would equal 40 percent of a student's educational costs, or a minimum of $800, whichever is greater.

Since its inception, the Pell Grant Program has contained a clause limiting the amount of the Grant to 50 percent of the cost of attendance at the institution at which the student is in attendance, up to the maximum amount of the award. This provision in the Pell Grant Program has always assumed that the student and/or the family would have to pay the balance of their expenses from their family contribution or from other sources of aid, including work and loan assistance. Therefore, we feel that reasonable self-help expectation is already factored into the student's aid package. This change in the Administration's approach is really nothing more than a realignment of terminology and process, which may cause the program to be preceived differently, but which in and of itself would not make a significant difference in the amount that students and parents are already providing.

The Administration also proposes to increase the maximum Pell Grant award from $1,800 to $3,000 for those students attending institutions with educational costs in excess of $7,200, but eligibility requirements would be severely restricted. By the Administration's own estimates, 400,000 fewer awards would be made than are currently available under the Pell Grant Program. This would be in addition to the 590,000 awards eliminated under the Supplemental Educational Opportunity Grant Program and the 240,000 awards eliminated under the State Student Incentive Grant Program, if the Administration's proposals are adopted.

Aside from the many technical aspects to these proposals that require a more thorough analysis, there are important operational concerns raised by the Administration's Budget proposals. First and foremost of these is a major change in the way in which student aid is provided. The current mix of Federal programs, state funds, and the institution's own dollars allow what we know in the profession as the "packaging" of aid awards. Just as every individual student presents a unique set of needs and characteristics, so does each educational institution. While there are certain commonalities and similarities, there is also the need for flexibility so that individual circumstances can be best addressed. "Packaging", as we now know it, could be vastly curtailed if the Administration's proposals are adopted. The elimination of two of the three campus-based programs, SEOG and NDSL, would significantly reduce the institution's flexibility in responding to unusual student circumstances. Furthermore, the bulk of the process that would evolve from the Administration's proposal would place enormous weight on the Federal Government, in a centralized role, in the operation of the newly enhanced Pell Grant Program. As we have stated earlier, we applaud the proposal to provide significant funding to this program. However, we would express our concern over the current system's ability to handle, in a reasonable way, the increased demands of this responsibility as well as our concern with the fact that the institution's role in the packaging of aid would be diminished. This change might enhance efficiency, but overall equity would be reduced.

Complete evaluation of the impact of the proposed redesign of the Pell Grant Program must await further decisions and proposed regulations from the Department

of Education. Although we know that changes in the Family Contribution Schedule and modifications to the allowable costs of attendance are contemplated, they are not a part of the Administration's Budget proposal. Such changes would, however, affect the distribution of aid among students and institutions.

For example, it is anticipated that the Administration's proposed 1984-85 academic year Pell Grant Family Contribution Schedule will reduce the number of data elements used to determine that expected family contribution. With fewer elements than are currently used to access need, many details of a family's income, assets, and expenses would be ignored in the calculation of the expected family contribution. Thus, the new proposal would allow a student from a family with a very small adjusted gross income, but with significant assets to qualify for a federal grant, while simultaneously excluding another student who's family currently qualifies by no longer taking into account the amount of their unreimbursed medical expenses. This sudden and dramatic change to the basic eligibility calculation formulas will cause a major redistribution of Pell Grant dollars among categories of students with various kinds of family characteristics. Many students who are currently not eligible would become eligible while other students who are now Pell Grant recipients would no longer be eligible. Further, if adopted, the Administration's fiscal year 1984 Budget proposals would reduce funding for students who currently could qualify for maximum grants from the Pell Grant and Supplemental Educational Opportunity Grant Programs from $3,800 to $3,000.

COLLEGE WORK-STUDY PROGRAM

With respect to the College Work-Study Program, the Administration has recommended an increase in funding from the fiscal year 1983 appropriation of $540 million approved by Congress to $850 million in fiscal year 1984. This increase is proposed to assist students in meeting the additional self-help requirement in the Pell/Self-Help Grant Program.

The Administration's proposed increase would raise the average College Work-Study award to $800, with which they contend that a student could meet the minimum self-help contribution—40 percent of educational costs or $800, whichever is higher—solely from work-study earnings. A recent study of student aid at public institutions found that only 22.67 percent of educational costs are currently met by the CWS Program. By comparison, only about 11 percent of educational costs at private institutions are met by the program. An increase of only $75 in the average CWS award (from $725 to $800) would not, it seems, make up this difference.

While we certainly embrace the idea of a reasonable increase in funding for the College Work-Study Program, we are concerned that such a drastic increase in one year would be difficult to absorb for money institutions. The College Work-Study Program contains a 20 percent matching requirement for each institution. With reduction in state funding, and the fact that institutions are not notified of their final CWS awards until May before the July academic year begins, it would be particularly difficult for state-supported institutions to secure these additional funds.

It should also be noted that the proprietary sector, for the most part, relies on Federal funding to meet the financial needs of its students. Rarely however do these institutions have their own sources of funds and in many states these institutions are prohibited from participatiing in state student aid programs. We are also beginning to see lenders in the Guaranteed Student Loan Program restricting GSLs for postsecondary eduational institutions with courses of study of less than two years duration. The proprietary also sector receives less than 2 percent of all of the CWS funds distributed. However, they account for approximately 10 percent of the Pell Grant dollars. While over 2,800 proprietary institutions participate in the Pell Grant Program, only 440 participate in CWS. Therefore, not only would the student's attending proprietary institutions have difficulty securing the minimum self-help contribution for the proposed Pell/Self-Help Program, they would generally not have access to the increased work-study funds.

NATIONAL DIRECT STUDENT LOAN PROGRAM

Under the Administration's Budget proposals, National Direct Student Loan Federal Capital contributions are targeted for extinction. By providing long-term, low-interest loans since 1966 to financially needy students, this program has offered a system of credit to those persons who in many cases would have difficulty securing loans from commercial lenders. Thus, the NDSL Program provides another avenue of self help for those financially needy students who for whatever reasons cannot participate in work-related activites or who need additional self-help beyond work-study. NDSL funds also provide the institution with flexibility in packaging student

aid awards to best meet the needs of students. The program is administered by institutions thus reducing delays often associated with loans granted by banks or other outside agencies.

With the elimination of Federal Capital Contributions in the NDSL Program, institutions would be able to make new loans with monies in their NDSL revolving funds, estimated to be approximately $500 million in 1984, however, these revolving funds are very unevenly distributed among institutions and these schools that are relatively new participants in NDSL would have little or nothing to lend. Such action would eliminate low-cost loans to 195,000 needy students.

GUARANTEED STUDENT LOAN PROGRAM

The Guaranteed Student Loan Program under the Administration's proposal would experience several changes. Further, it is anticipated that a number of cost-cutting technical amendments will be proposed.

Specifically, the "origination fee" for graduate students would be increased to 10 percent of the principal amount of the loan. All students, regardless of family income, would be required to demonstrate financial need before they would be eligible for a GSL.

The loan origination fee was introduced during the 1981 Budget Reconciliation debates as a short term solution to help save Federal outlays when Federal interest rates were high. This concept was endorsed by the higher education community at that time as a more desirable approach than eliminating the in-school interest subsidy which had been proposed by the Administration. The community also felt that this approach would preserve the GSL Program structure and was, for the short term, a more reasonable alternative. It was not, however, the desire of the higher education community to continue this type of assessment once interest rates began to subside. Interest rates have dropped, thus, costs of the program have been reduced. We, therefore, feel that this concept has met its intended purpose and should be discontinued, not expanded.

The concept of remaining need in the Guaranteed Student Loan Program is another idea that has received much attention in the past two years. In response to concerns raised during the 1981 Budget Reconciliation—that borrowing by high income families was contributing to the spiraling costs of the GSL Program—a $30,000 income cap was introduced, above which potential borrowers now have to demonstrate financial need. Since the imposition of the "income cap", there has been no evidence to suggest the need to further restrict the program.

This change would require all borrowers to submit data which would be analyzed to determine the amount a family would be able to contribute to a student's educational costs. The application of this expected contribution against the student's cost of attendance would identify the amount of remaining need for GSL purposes. This process would not only increase the application processing time by approximately four weeks, it would substantially increase the amount of paperwork and thus, administrative burdens for institutions and students.

In addition, we are concerned that lenders would be hesitant to make small loans to student borrowers. As the GSL Program is currently structured, borrowers with incomes below $30,000 can not only borrow the difference between the cost of attendance and other sources of aid, but they can borrow the expected family contribution if it is not readily available because of cash flow restrictions. This was one of the original purposes of the program. While not entirely clear we assume that the Administration's proposal would eliminate this option, thus further reducing the amount a student could borrow. Student Borrowers with incomes in excess of $30,000 are not allowed to borrow their expected family contribution, however, when this change was made in 1981, minimum loan amounts were built in to address the concern regarding small loans. While the Administration's proposal does not reference the minimum loan amounts, let us assume that they would be preserved. This would help, but requiring remaining need for all students will still have an overall negative effect upon the average loan balance in the lender's portfolio, thus making that portfolio less attractive to secondary markets.

Given the changes that were implemented in October 1981 and the lower interest rates currently in effect which will continue to reduce costs in the program, we would encourage the members of Congress to seriously consider maintaining the GSL Program in its current form for the 1983-84 academic year. The Administration itself has acknowledged reduced costs to the program by virtue of its $900 million rescission request for fiscal year 1984.

EDUCATION SAVINGS ACCOUNT

The last budget proposal upon which we wish to comment involves the Administration's Education Savings Account. Any effort on the part of the Administration to create innovative approaches to the dilemma countless students and parents face in financing a higher education must be commended. And, while we certainly endorse the concept of encouraging parents to save towards their children's education, we feel that such an approach must provide incentives.

The Administration's plan would allow families to make an annual investment of up to $1000 per child per year in an account; interest and dividends would be tax-free. Eligibility for the porgram would be phased out at incomes between $40,000 and $60,000. Savings could be used to pay tutition, room and board directly to a college, but only for full-time undergraduates between ages 18 and 26. The Administration claims the program, "will make savings more attractive to lower- and middle-income families, and will not only help finance the cost of higher education, but will also add to the pool of savings available to individuals and businesses through lending institutions, thus contributing to economic growth."

We would respectfully submit that we do not believe that the Administration's current proposal will achieve these goals, and would be fact distribute the majority of the limited benefits to those families in the higher tax brackets rather than to low and moderate income families.

Clearly the proposal that has been advanced by the Administration is less costly to the Federal Treasury in the short run than would be some of the other proposals that have been suggested or introduced, but it will be more costly over time as interest and dividends accumulate that are not taxed. While the overall idea of encouraging families to save for their children's postsecondary education is good public policy, the idea proposed in the fiscal year 1984 budget, is not, in that it disproportionately helps the more affluent.

If a plan was enacted to establish Individual Educational Accounts, similar to the existing IRA-Keogh retirement accounts, then families would have a greater incentive to save in that they could immediately receive a tax credit for sums contributed to their children's educational accounts. Such an approach would have more of an impact upon the potential loss of revenue to the U.S. Treasury in the short run, but the tax credit feature would also reach a higher proportionate share of moderate and middle income families, than would the Administration's Educational Saving Accounts. Another advantage of the tax credit plan over the tax deduction method is that it is far more equitable in that the credit is worth the same to persons with different incomes.

A program of Individual Education Accounts with a tax credit limit of $2000 per year, per child could become a reasonable incentive to encourage parents to save for their childern's education.

Such plan would complement the existing student aid programs, and in time should help relieve some of the future demand that will come from families needing more and more student aid dollars to meet rising postsecondary educational costs. It is important to note however, that we do not see this plan, or any other tax incentive for education saving, to replace the current support system of existing financial aid. Rather it is a complement that will help us to provide equal educational opportunity to all students in the future, in a less costly way.

SUMMARY

In closing, I would reiterate our feelings that the Administration has proposed some concepts which are certainly worthy of consideration for the future. However, with Reauthorization of the Title IV Student Aid Programs coming up in 1985, we do not believe that major structural changes to the programs are desirable or necessary at the current time. Sufficient leadtime and a through analysis of the impact of such changes is essential to the stability of these most important programs. The compression effect of all Federally funded student aid programs cannot be understimated. Programs which have been funded for up to twenty years cannot be abruptly ended without causing displacement within all segments of postsecondary education.

Thank you for the opportunity to express our concerns. I will be happy to answer any questions you may have.

Mr. SIMON. Dallas Martin has suggested where we might use additional funds if we are able to get some additional funds.

Mr. Hawk, I know that while your field of specialty is the area of loans, do you have any feel for where we ought to be going if we can squeeze out a few more dollars?

Mr. HAWK. Mr. Chairman, it seems to me that we ought to look essentially in two places.

I think the 10-percent origination fee for graduate students as recommended by the administration is simply atrocious and is not in keeping with the realities of the needs of this country for people with advanced degrees and will not contribute to the kind of economic development that the country needs.

My judgment is the Nation can't really afford to penalize those kinds of high-talent-contribution people in the way that is suggested there.

The second priority, I think, clearly has to be basic grant support for low-income people. There has to be a threshold level of grant support which makes it possible for people to help themselves. Until you reach that level, no matter how much self-help you expect of people, those individuals simply will not make it in the system.

Mr. SIMON. We thank you both for your testimony and for the contributions you are making in this whole field.

We have a statement I would like to enter into the record at the conclusion of today's hearing, a statement by Dr. Dolores E. Cross, president of the New York State Higher Education Services Corp., together with an analysis, "Impact of Recent Changes in the Guaranteed Student Loan Program in New York State."

[The prepared statement of Doloris E. Cross follows:]

PREPARED STATEMENT OF DOLORES E. CROSS, PRESIDENT, NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION

2/18/83

The Impact of President Reagan's FY'84
Budget on Student Financial Aid Programs

Student financial aid plays an important role in providing access to higher education in the State of New York. Last year, New York's postsecondary students used over $2.1 billion in government-sponsored aid, 83% of which was federal aid received either directly or in the form of student loan guarantees. The goverument aid sustained a higher education enterprise which contributed over $6 billion to the State's economy by employing over 200,000 faculty and staff and enrolling over one million students.

New York is in a leadership position of providing access to higher education, especially for low-income students. This fact is reflected in our use of federal student aid. While enrolling 8% of the nation's collegiate students, New York accounts for 13% of the federal Pell grants, 15% of the guaranteed student loans, 26% of the parental loans and 69% of the new auxiliary loans for students. All of the loan programs are federally guaranteed. Three of every four full-time undergraduate students in New York received student financial aid last year. Any reduction in federal student financial aid threatens access for students and can have a negative impact on the higher education enterprise and the economy of the State.

The President's FY'84 budget calls for a major restructuring of the federal student grant programs, a constriction of eligibility for guaranteed student loans, and a major reduction in support programs for the disadvantaged. The proposed changes follow cutbacks

made in late 1981 which resulted in 60,000 New Yorkers losing an estimated $150 million in guaranteed student loan funds this year. Because of the confusion and delays surrounding federal student aid funding and procedures in 1982-83, collegiate enrollments fell in New York for the first time since 1978. Based on national enrollment data, it appears that women, minorities and independent students were hardest hit by the aid cutbacks.

The new proposals for FY'84 will likely further reduce access to higher education for many, reduce program choice for others, shift the student aid funding burden to New York taxpayers and restrict the flexibility of campus aid officers to meet student need. We estimate that if the President's proposals are adopted, New York will lose, in 1984-85, 155,000 federal Title IV student aid awards with a net dollar loss of $96 million. Additional losses are expected through proposals to eliminate the federal fellowships for graduate and professional study and the proposed reduction in funds available for special programs for the disadvantaged (TRIO) which are slated for a 77% funding reduction. I have some specifics on the Title IV program proposals.

Title IV Programs

In 1982-83 New Yorkers used an estimated $1.38 billion in Title IV student aid through six programs providing grants, loans, and work-study awards. The majority of the funds (74%) were in the form of self-help programs (loans and work-study).

Programs to be Terminated

The President proposes to eliminate three of the six programs - the Supplemental Education Opportunity Grant (SEOG) program, the State Student Incentive Grant (SSIG) program, and the National Direct Student Loan (NDSL) program. Elimination of these programs would cost New York 80,000 awards worth over $47 million.

Programs to be Changed

Guaranteed Student Loans

Federally-guaranteed student loans provide the largest single source of student aid funds in New York, with nearly a billion dollars in loans used by New Yorkers this year. The President proposes to restrict eligibility for guaranteed student loans by imposing a test of need on all applicants and by increasing fees for graduate students. We estimate that these proposals would eliminate loan eligibility for 55,000 New Yorkers and reduce loan volume by over $100 million annually.

Pell Grants

This is the largest federal student grant program. This year 300,000 New Yorkers will receive over $315 million in Pell grants. Under the President's FY'84 budget, a major restructuring would be made to the Pell Grant program by requiring a 40% self-help contribution from students, restricting eligibility, and raising the maximum award. We estimate that 50,000 fewer New Yorkers would be eligible for Pell grants in 1984-85 if the proposals are adopted, an 18% loss.

A New Program

The President proposes a new tax incentive, Education Savings Accounts, for families to save money to meet future college costs. The plan would, however, provide a limited benefit to lower income families with little discretionary income.

Recommendation

I recommend that all the proposed changes to the student aid programs be rejected. Now is not the time to introduce more uncertainty into family planning for meeting higher education bills. A repeat of last year's disruptions may permanently damage New York's higher education system and upset the delicate fiscal balance that we are striving to achieve.

In New York, we know that financial aid makes a difference. The government-sponsored programs have contributed to our State's ability to provide full opportunity for access and choice in higher education. Yet, the federal programs have been level funded since 1979-80, and in real dollars, have lost 30% of their funding. Rather than support any further funding reductions for the federal programs, we should embrace again the principles and philosophies of the 1980 federal Education Amendments. Those amendments recognized the limits of family self-help contributions and addressed the needs of our low-income students and their families.

Impact of Recent Changes in the Guaranteed Student Loan Program in New York State

Highlights

This report examines the impact of recent changes in federal legislation for Guaranteed Student Loans (GSL). It compares borrowing patterns for the 1978-79 and 1981-82 State fiscal years (April 1 to March 31) with projections for the 1982-83 State fiscal year, based on loan approvals from April 1 through December 31, 1982.

The dollar volume of GSL and the number of loans are estimated to decline by 13% in 1982-83. Dollar volume is expected to decline from $1.132 billion in 1981-82 to $974 million in 1982-83. The number of loans will fall from 479,000 to 419,000.

Borrowing will decline in all sectors except for vocational schools. By sector, the declines in the dollar amounts borrowed are projected to be: SUNY (-21%), CUNY (-14%), out-of-state institutions (-20%), and independent collegiate institutions (-11%). By contrast, borrowing by students at vocational schools is expected to rise by 18%. The amount borrowed by graduate and professional students will decline slightly more than borrowing by undergraduates between 1981-82 and 1982-83.

In terms of number of borrowers, the largest decline in 1982-83 is for students attending out-of-state institutions (-19%), followed by CUNY (-13%), SUNY (-17%), and independent collegiate (-12%). The number of vocational students borrowing is expected to increase 16%.

These declines in borrowing contrast sharply to the rapid increase over the previous several years. From 1978-79 to 1981-82 the amount borrowed rose by 151%. The largest increase in borrowing was by SUNY students (+191%), followed by vocational (+181%), CUNY (+161%), independent collegiate (+142%), and finally, New York residents attending institutions out-of-state (+123%).

When the family income reported by borrowers in 1982-83 is compared to the income reported by 1981-82 borrowers in a survey conducted by HESC, the following trends emerge:

The number of borrowers with family incomes above $30,000 will decline by 36% between 1981-82 and 1982-83. Apparently, the new need analysis requirement has had the expected effect of reducing borrowing for students from higher income families. Within the above $30,000 income group, declines in borrowing become more pronounced as income rises. The number of borrowers in the $30,000 to $60,000 income range is expected to fall by about one-third, whereas students from families with incomes above $60,000 will borrow two-thirds less frequently in 1982-83 than in 1981-82.

New York State Higher Education Services Corporation
February 1983

Because the needs analysis procedure takes into account the cost of education, borrowing by students at more costly independent collegiate institutions will not decline as much as at lower-cost institutions. For families with incomes above $30,000, borrowing by vocational students is expected to fall by 68%; the number of higher-income CUNY borrowers will drop by 65%; and SUNY borrowing will fall by 44%. Borrowing by higher-income students at independent institutions will decline by only 31%.

There will be a substantial increase in borrowing by students with incomes less than $10,000. This may be the result of more students declaring themselves to be financially independent. On the other hand, there will be a decline in the number of borrowers with incomes between $10,000 and $30,000, although these borrowers are still fully eligible for GSL under the new rules. This may be explained by students in this income range shifting toward lower cost institutions because of real or perceived reductions in aid availability.

With these shifts in borrowing patterns, the average family income of GSL borrowers will decline from $29,766 in 1981-82 to $21,189 in 1982-83, a decrease of 29%. The proportion of borrowers with family incomes above $30,000 is projected to fall from 40% in 1981-82 to 29% in 1982-83.

Introduction

The following analysis of loans guaranteed by the New York Higher Education Services Corporation in 1982-83 examines the effects of recent changes in the Guaranteed Student Loan (GSL) program.

Federal budget legislation enacted in August of 1981 required that loan applicants disclose their adjusted family income on all applications processed by schools as of October 1, 1981. If the income is in excess of $30,000, the amount of the loan approval must take into account an "expected family contribution" which is based on the size of the family, the gross income of the family, the number in college, as well as other factors.

It appears that most students were able to avoid the effects of the new income requirements for the 1981-82 academic year because the changes went into effect after the start of the year and the advance publicity that was given to loan cutbacks caused a substantial acceleration in applications filed in the summer of 1981. In order to establish a baseline against which to measure the effects of the federal cutbacks, the Corporation conducted a survey of GSL recipients for the 1981-82 year. Almost 7,000 responses were received and the data were used to predict the effects of the new needs analysis requirements on GSL volume. An analysis of the survey results estimated that 11% of the 1981-82 loan recipients would no longer be eligible under the new rules and that the total dollar reduction in loan eligibility would be 13%.

Changes in Overall Borrowing

To estimate the impact of these recent changes in GSL, this report compares borrowing patterns for the 1981-82 State fiscal year (April 1 to March 31) with projections for the 1982-83 State fiscal year, based on loan approvals from April 1 to December 31, 1982. Comparisons are also made to the 1978-79 State fiscal year which was the last year of borrowing before implementation of the Middle Income Student Assistance Act of 1978. It was the Middle Income Student Assistance Act that eliminated all income criteria in the GSL program, resulting in the massive increases in borrowing in recent years.

Based on loans approved through December 31, 1982, GSL dollar volume and number of loans are likely to decline by 13% in 1982-83. These reductions are similar to predictions based on the survey of 1981-82 GSL borrowers. If the estimates of borrowers and amount borrowed are correct, the average loan will be approximately the same in both years.

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Total GSL Borrowing in 1981-82 and 1982-83

	Actual 1981-82	Estimated 1982-83	Percentage Change 1981-82 to 1982-83
GSL Dollar Volume	$1,122 Million	$974 Million	-13%
Number of Loans Guaranteed	479,000	419,000	-13%
Average Loan	$2,342	$2,325	- 1%

The largest percentage declines are expected to occur for SUNY students where borrowing is projected to decline by 21% from 1981-82 (see Table 1). This is consistent with the analysis of the survey of 1981-82 borrowers which indicated that SUNY students would be hardest hit by the imposition of the needs test for higher-income borrowers. New York residents attending out-of-state institutions will borrow 20% less in 1982-83. Borrowing by students at CUNY is expected to fall by 14%. Students at independent collegiate institutions will likely borrow 11% less in 1982-83 than in the previous year. It appears, however, that borrowing by students at vocational schools will increase 18% in 1982-83. Borrowing by undergraduate students will fall slightly less than for graduate/professional students (12% and 16%, respectively).

The actual 1982-83 figures are likely to be slightly different than the estimates provided in this paper, depending on loan activity for the remaining three months of the State fiscal year. For example, the increase in borrowing by vocational students is probably underestimated because they tend to borrow continuously throughout the academic year rather than at the beginning. (Data limitations prevent an estimate based on this apparent borrowing trend.) Available evidence also suggests that CUNY students, once the year begins, borrow more frequently than students in other sectors, suggesting a smaller decline in borrowing when the actual figures are available.

It is interesting to compare projected 1982-83 borrowing with the trends of the past several years. Between 1978-79 and 1981-82, all sectors experienced substantial growth in GSL borrowing. Borrowing by SUNY students increased the most (191%), followed by vocational (181%), and CUNY borrowers (151%). Undergraduate borrowing increased at a slightly faster pace than for graduate and professional students (160% increase compared to 130%).

As Chart 1 on page 4 indicates, the amount borrowed in all sectors grew substantially and consistently between 1978-79 and 1981-82. For students at CUNY, SUNY and independent collegiate

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Table 1

GSL Dollar Volume
Guaranteed By NYSHESC

	(In Millions of Dollars)			Percentage Change	
	1978-79	1981-82	1982-83 (Est.)	78/79-81/82	81/82-82/83
Sector					
Instate CUNY	$ 24.0	$ 62.6	$ 54.1	+161%	-14%
SUNY	93.0	270.6	215.2	+191%	-21%
Independent Collegiate	183.0	454.7	403.7	+142%	-11%
Independent Vocational	32.4	91.1	107.2	+181%	+18%
Out-of-State	108.8	243.0	193.8	+123%	-20%
	$446.1	$1122.0	$974.0	+151%	-13%
Level					
Undergraduate	$316.0	$ 822.6	$721.4	+160%	-12%
Graduate/ Professional	$130.1	$ 299.4	$252.6	+130%	-16%

Detail may not add due to rounding

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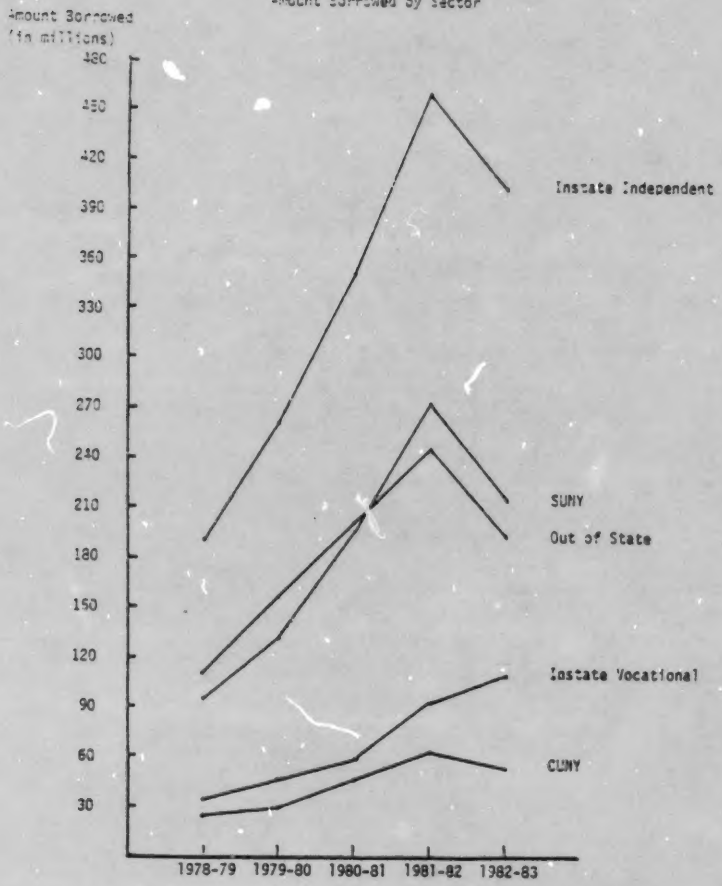
Chart 1

Amount Borrowed by Sector



Total Amount Borrowed (in millions)	$446	$626	$854	$1122	$974

institutions, borrowing in 1982-83 -- while below 1981-82 levels -- will still exceed the amount borrowed for 1980-81. Students enrolled in New York vocational schools will borrow almost twice as much in 1982-83 as in 1980-81, while students attending out-of-state institutions will apparently borrow less in 1982-83 than in 1980-81. For all borrowing guaranteed by HESC, the estimated $974 million borrowed in 1982-83 will be $120 million more than in 1980-81 (a 14% increase over the two-year period).

Income Distribution of Borrowers

The following analysis compares family comes of 1982-83 borrowers, as reported on their GSL applications, with the incomes of 1981-82 borrowers who participated in the survey conducted by HESC early in 1982. Responses of the survey participants have been weighted in order to provide an estimate of the income distribution of all 1981-82 borrowers. In addition to comparing the overall borrowing patterns, this section also considers changes in income distribution by sector and by level of study.

For borrowers with family incomes of more than $30,000 -- who under new GSL rules must qualify on the basis of a needs test -- the number of borrowers is expected to decline by 38% between 1981-82 and 1982-83, as Table 2 on the following page indicates. By contrast, the number of borrowers with family incomes of $30,000 or less is predicted to rise by 4%.

The report on the survey of 1981-82 borrowers predicted that the largest impact of the new needs test requirement would be on the lower-cost institutions (since in the calculation of need, family contribution is subtracted from cost of attendance). It appears that this effect has in fact occurred, as Table 2 indicates. The largest decline for borrowers over $30,000 was in CUNY (-65%) and vocational institutions (-68%) which generally have the lowest total cost of attendance. Borrowing by higher-income students at SUNY fell by 44%, while at independent collegiate institutions, which have the highest costs of attendance, the decline in borrowers was the smallest (31%). (Out-of-state students attend a variety of institutions and should not be considered for purposes of this comparison.)

The preceding comparison of borrowers above and below $30,000 in family income does not reveal some interesting trends which become apparent when comparing narrower income categories. Chart 2 on the following page compares the income distribution of 1981-82 and 1982-83 borrowers in each $10,000 income category. The experience in 1982-83 indicates a decline of between 30 to 35 percent in each income category between $30,000 and $60,000 and a steeper reduction (66%) in the above $60,000 category. This patterns is very similar to the predictions based on the 1981-82 survey, as the "X" line on Chart 2 shows.

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TABLE 2

Borrowers Above and Below $30,000
In Family Income, By Sector

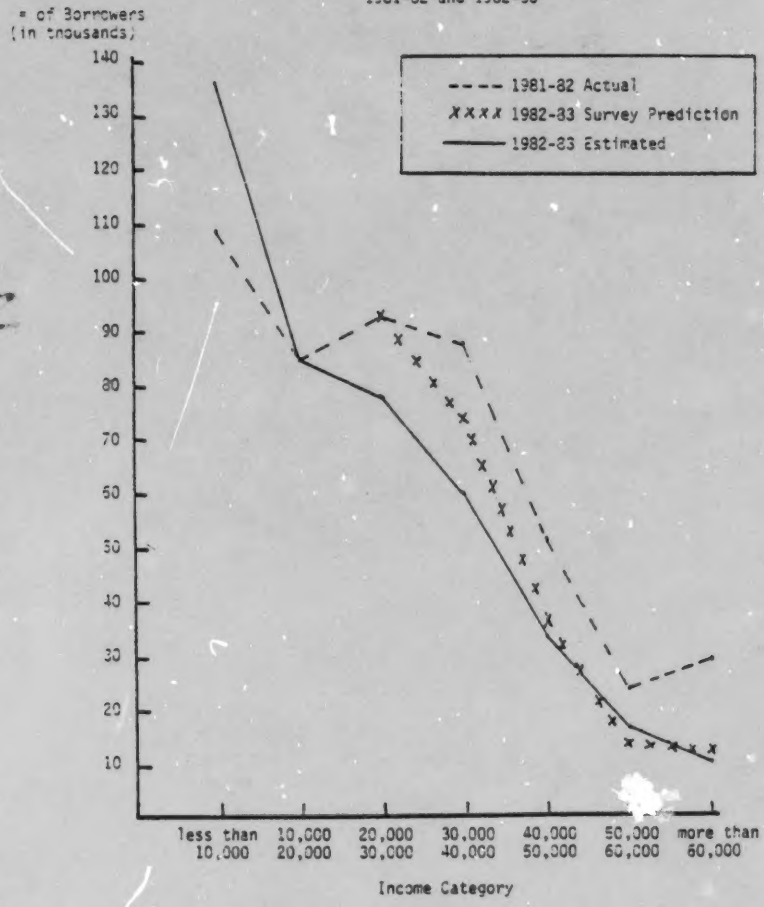
Sector	Borrowers with Family Incomes $30,000 or Less (Numbers In Thousands) 1981-82	1982-83	% Change	Borrowers with Family Incomes More than $30,000 (Numbers In Thousands) 1981-82	1982-83	% Change
Instate						
CUNY	25.3	23.6	-7%	6.0	2.1	-65%
SUNY	74.6	78.1	+5%	58.7	33.0	-44%
Independent Collegiate	111.7	110.8	-1%	70.0	48.6	-31%
Independent Vocational	34.8	47.8	+37%	9.0	2.9	-68%
Out-of-State	40.4	39.2	-3%	48.5	32.9	-32%
Total	286.7	299.3	+4%	192.3	119.7	-38%

Details may not add due to rounding

Chart 2

Number of GSL Borrowers by Income Category

1981-82 and 1982-83



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The survey prediction was that the reduction in borrowers would occur only at incomes of over $30,000 and that there would be no changes among borrowers not affected by the new needs analysis requirements. A curious development in 1982-83 is the significant increase in borrowers who report family income of less than $10,000, and the drop-off in borrowers in the income range of $20,000-$30,000. The growth in the less-than-$10,000 category may well be a function of more students declaring financial emancipation in order to maintain or augment their eligibility for student aid. The decline in $20,000-$30,000 borrowers is more difficult to explain since they continue to be fully eligible for GSL. This group of students may be shifting toward lower-cost institutions and, thus, no longer feel the need to borrow.

Changes In Borrowing Patterns By Sector

Table 3 indicates the changes in borrowing by selected income levels for each sector. For students at independent collegiate institutions, we find a 10% increase in the number of borrowers at the lowest income range (less-than-$10,000). Within the $10,000 to $30,000 income group, there will be a 7% decrease in the number of borrowers. Above the $30,000 income level, changes in borrowing follow the patterns which had been expected; that is, as income increases, the decreases in borrowing become greater. Borrowing by students with family incomes of $30,000 to $60,000 will fall by 25%, while the number of students from families with incomes of over $60,000 will drop by 60%.

Students at independent vocational institutions have the greatest increase (85%) in the lowest income range. In each of the income categories above $10,000, however, vocational students show the largest decline of any sector, culminating in a 90% decline for students with more than $60,000 in family income. The heavy concentration of low-income students in vocational institutions and the growth in borrowing by these students more than offset the above average declines in borrowing by vocational students from higher income families.

At the SUNY schools, an overall drop of 17% in the number of borrowers is expected. There will be a very substantial (44%) increase in borrowing among students in the under-$10,000 income range. Borrowers with incomes of $10,000 to $30,000 are expected to decline 12%. Above the $30,000 income level, the number of borrowers declines at an increasing rate as income rises, ending with almost an 80% drop among borrowers with incomes over $60,000.

The number of CUNY students with incomes under $10,000 who will borrow is likely to decrease by 11%. In the $10,000 to $30,000 range, the number of borrowers is projected to remain level. For borrowers with over $30,000 income, the percentage decline increases as income increases, with an 86% reduction occurring for families with more than $60,000 income.

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TABLE 3

Percentage Change In Number of GSL Borrowers,
1981-82 to 1982-83,
By Family Income, By Sector, And By Level of Study

	FAMILY INCOME				
	Less Than $10,000	$10,000 $30,000	$30,000 $60,000	More Than $60,000	All Borrowers
All Borrowers	+25%	-8%	-33%	-66%	-13%
Sector					
Instate CUNY	-11%	0%	-62%	-86%	-18%
SUNY	+44%	-12%	-41%	-79%	-17%
Independent Collegiate	+10%	-7%	-25%	-60%	-12%
Independent Vocational	+85%	-14%	-65%	-90%	+16%
Out-of-State	+3%	-6%	-22%	-62%	-19%
Level					
2 Year/ Vocational	+63%	-13%	-50%	-86%	-2%
4 Year	+18%	-5%	-28%	-66%	-15%
Graduate/ Professional	-12%	-9%	-34%	-54%	-20%

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Changes in Borrowing Patterns By Level Of Study

When examined by level of study, very different patterns emerge for each of the three groupings of students examined (see Table 3). The three categories are 2-year and vocational students, undergraduates in 4-year collegiate programs, and graduate and professional students. These categories include both in-state and out-of-state schools.

For students enrolled at 4-year colleges, the patterns are closest to what would be expected. There will be an overall drop of 15% and a fairly consistent drop in borrowing above the $30,000 income level with a substantial (66%) decrease among students from incomes of more than $60,000. There will be declines in borrowing among students from the $10,000 to $30,000 income range, a group that is not affected by the new needs test. Also, there will be a modest (18%) increase in borrowing among students with incomes of less than $10,000.

Among students attending 2-year and vocational institutions, the change in borrowing patterns is what would be expected above the $30,000 income level. Because of the relatively low costs at these institutions, we find the greatest percentage drops in borrowing among students subject to the needs test. Also, as expected, the percentage reduction in borrowing progresses as we move up the income scale. Borrowing will decline by 50% for borrowers in the $30,000 to $60,000 income range and will fall more than 85% in the over $60,000 income range. But surprisingly, it appears that the number of borrowers at the under-$10,000 income category will almost double. A substantial increase in low-income borrowers appears to have occurred at both vocational institutions and SUNY 2 year institutions, with most of the increase attributable to students attending vocational institutions. The change may be related to large numbers of students declaring themselves independent of their parents.

The changes in borrowing patterns among graduate students are difficult to analyze. All income categories show decreases in varying degrees, including a 12% reduction among students with incomes of less than $10,000. At the other end of the income scale, the smallest reduction among students from families with incomes of over $60,000 will occur among graduate students (-54%).

Income Profile of Borrowers

The effect of the new needs analysis requirements can also be measured by changes in the income profile of borrowers in 1981-82 and 1982-83. As Table 4 indicates, the average income of all borrowers fell from $29,766 in 1981-82 to $21,189 in 1982-83, a decrease of 29%. The proportion of students with family income of more than $30,000 decreased from 40% in 1981-82 to 29% in 1982-83.

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TABLE 4

Average Family Income and Proportion Of Higher Income Borrowers, By Sector and By Level of Study

	Average Family Income			Proportion of Students With Incomes Above $30,000	
	1981-82	1982-83	% Change	1981-82	1982-83
All Borrowers	$29,766	$21,189	-29%	40%	29%
Sector					
Instate					
CUNY	$17,197	$12,120	-30%	19%	8%
SUNY	$29,797	$21,582	-28%	44%	30%
Independent Collegiate	$28,278	$22,685	-20%	39%	31%
Independent Vocational	$18,777	$ 9,073	-52%	21%	6%
Out-of-State	$37,045	$29,020	-22%	55%	46%
Level					
2 Year/ Vocational	$21,532	$14,274	-34%	29%	14%
4 Year	$33,217	$24,913	-25%	48%	37%
Graduate/ Professional	$24,711	$20,058	-19%	29%	23%

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The declines in average income and the proportion of higher income borrowers by sector and by level of study are also shown in Table 4. The largest sector decline, by far, in the average income of borrowers is for vocational students, a function both of the large increase in low-income borrowers and the large decrease in higher-income borrowers at vocational institutions. All other sectors experienced between 20 to 30% declines in the average income of borrowers. Similarly, the largest drop in average income by level of study occurred for 2-year and vocational students (a 34% decline) compared to a 25% decrease for students in 4-year programs, and a 19% reduction for graduate and professional students.

In terms of the proportion of students with family incomes above $30,000, the largest decline is for students attending CUNY and vocational institutions, while students attending independent collegiate and out-of-state institutions show the smallest decline in higher-income borrowers. These patterns also apply by level of study.

Mr. SIMON. The hearing is adjourned.
[Whereupon, at 12:10 p.m., the subcommittee adjourned.]

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BUDGET IMPACT, HIGHER EDUCATION, FISCAL YEAR 1984

WEDNESDAY, MARCH 2, 1983

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to call, at 9:40 a.m., in room 2261, Rayburn House Office Building, Hon. Paul Simon (chairman of the subcommittee) presiding.

Members present: Representatives Simon, Petri, and Gunderson.

Staff present: John Dunn, majority fellow; William A. Blakey, majority counsel; Maryln L. McAdam, majority legislative assistant; Betsy Brand, minority legislative associate; and John Dean, asssistance minority counsel.

Mr. SIMON. The Subcommittee on Postsecondary Education is continuing its budget oversight hearings. We had hearings yesterday, with college and university presidents, as well as financial aid officers, and the executive officer of a multi-State guarantee agency.

Today we turn our attention to several areas of equal importance, the proposal to eliminate or drastically reduce funding for four programs which have contributed significantly to equal opportunity and access in higher education and international understanding. We will look at the administration's budget proposals to eliminate funding for international education, graduate education, cooperative education, and the reduction in funding for special services for disadvantaged students, known as TRIO, by $119 million to $35 million.

The spending of the fiscal year 1984 amount for TRIO would be limited to the historically black colleges and other institutions with substantial enrollments of minority students.

I personally oppose these proposals, but I think we owe it to the administration to take a look at them and see where we should go.

We are in a situation where we are putting a budget together, and it may be necessary for us at some point to recess this hearing. It is not done—if we do it—with any disrespect to our distinguished panel of witnesses here. But we will proceed as far as we can, and I hope that we do not have an interruption.

First, I am pleased to introduce a friend and leader in the field of international education, Dr. Richard Lambert, who is an author and who has done a lot of original research in this field of interna-

tional education. I am pleased to pay tribute to Dick Lambert on the record and to what he has done.

Let me add for all the witnesses, if you care to, we will put your full statements in the record, and if you want to summarize or add, however you wish to proceed.

Dr. Lambert.

[The opening statement of Hon. Paul Simon follows:]

OPENING STATEMENT OF HON. PAUL SIMON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS AND CHAIRMAN OF THE SUBCOMMITTEE ON POSTSECONDARY EDUCATION, MARCH 2, 1983

The Subcommittee on Postsecondary Education continues its oversight hearings on the impact of the Administration's fiscal year 1984 higher education budget. During yesterday's hearing, the Subcommittee heard from a panel of college and university presidents, the National Association for Student Financial Aid Administrators and Chief Executive Officer of a multi-state guarantor of student loans. These witnesses added significantly to our understanding of the impact of the Administration's student financial assistance proposals.

Today, we turn our attention to several areas of equal importance—the proposal to eliminate or drastically reduce funding for four programs which have contributed significantly to equal opportunity and access in higher education and to international understanding. The Administration's budget proposals to eliminate funding for international education (—$21 million), graduate education (—$11.9 million), cooperative education (—$14.4 million), College Libraries (—$8.2 million) and the reduction in funding for special services for disadvantaged students (TRIO) by $119 million to $35 million in fiscal year 1984. The spending of the fiscal year 1984 amount would be limited to the historically black colleges and other institutions with substantial enrollments of minority students. I personally oppose these proposals and I believe that view is shared by my colleagues on the Subcommittee.

We will now hear from several outstanding leaders in their respective fields regarding the impact of the Administration's proposals.

STATEMENT OF RICHARD D. LAMBERT, DIRECTOR, INTERNATIONAL EDUCATION CENTER, UNIVERSITY OF PENNSYLVANIA

Mr. LAMBERT. Thank you, Mr. Chairman. I will, in the interest of brevity, and I will be very brief, read this brief statement.

Mr. SIMON. All right.

Mr. LAMBERT. Mr. Chairman, I am pleased and honored to testify before you again. We count you among America's leading scholars in the field of language education. I am delighted to share with you and the subcommittee my views on a proposed Federal action on one aspect of national language policy, the withdrawal of support for language and area studies under title VI of the Higher Education Act.

To extend the title of your book, Mr. Chairman, this will not only further tongue tie America, but will tear part of the tongue out at the roots.

My reaction to the proposed gutting of the language and area studies programs is threefold: Puzzlement, dismay, and alarm. I am puzzled because every indication is that the rest of the Federal Government, outside of the Education Department, seems to finally be resolved that language and area studies are vital to the national interest and needs more, not less support.

For instance, out of the White House itself has originated a task force comprised of representatives of a large number of governmental agencies and some distinguished academics. Its purpose has been to determine how best to utilize and support the cadre of specialists on the languages and societies of other parts of the world.

In addition, the Defense Department has made it clear how vital they consider these resources are to their needs. Secretary Weinberger, in a recent speech to a National Convocation on Pre-College Education, placed foreign language training alongside math and science education as the Department's prime concerns about university education in the United States.

I understand that the Department of Defense has testified in favor of a bill to provide a $50 million endowment to underpin Soviet studies, and that you, Mr. Chairman, are a cosponsor of that bill. Moreover, the Department, in its last appropriation request to Congress asked for and received a sum of several million dollars to survey and report to Congress how best to support research and manpower training in languages and area studies.

At the Defense Department's request, the Association of American Universities has set up a DOD university forum comprising agency representatives, and university administrators and area specialists to find ways to make their efforts more mutually supportive.

I have agreed to direct a yearlong survey of needs and mechanisms to serve this purpose and the more general question of Federal support for language and area studies. If the Department of Education's view prevails, I and many others are wasting our time.

Indeed, the Department of Education has just created, under congressional mandate, its own advisory board, of which I am one of the vice-chairmen, a board which you, Mr. Chairman, graciously inaugurated with a reception at your home.

This board is charged with the oversight of title VI and is due to have its second meeting in Columbia, S.C., in about a week's time.

I do not look forward to that session where a large number of very distinguished and busy people will spend their time laying out plans for the activities of a chicken whose head has already been cut off.

I am not, of course, speaking for any of these task forces, forums, or boards of which I am a member, but the proposed cut in title VI indicates to me at least that someone is marching to a different drummer.

I also note that in the proposed departmental reorganization, the title VI program will be scattered among a number of functional units. It is to be hoped that this is not a precursor to nibbling the program to death. All of this, then, contributes to my puzzlement.

My dismay comes from conversations I have had with colleagues at the Universities of California in Los Angeles, Georgetown, Indiana, Pennsylvania, Pittsburgh, Texas, Washington, and, Mr. Chairman, in your own State, Chicago and the University of Illinois.

In preparation for these hearings, I telephoned the directors of all of the language and area studies programs at these institutions to try to get a realistic impression of the impact of the sudden discontinuation of title VI support. I was a little surprised that apparently the Department of Education had not done the equivalent contact.

In each case, I asked what items were covered on the title VI budget, whether the universities were likely to pick up any or all of these costs, how many students were supported on what are

called FLAS fellowships and in what language, and how many of them would be cut off in midtraining.

It is putting it mildly to say that what I heard was dismaying. I will be glad to provide the detailed results of that minisurvey, but time does not permit. I can give some of the flavor.

In your State, Mr. Chairman, at the University of Illinois, the very large professional staff that serves the Soviet reference service would be lost. It provides information to businesses, Government, and other institutions on current Soviet events and each summer trains 280 or so librarians from around the country in bibliographic work on the Soviet Union.

Language instruction in Korean and Quechua would disappear, as would work combining business training or computer science and Asian languages.

I talked to Denis Sinor at Indiana and he told me that we could say goodbye to training in most of the languages of peoples on the Sino-Soviet border, the Soviet-Afghan border and the Soviet-Iranian borders: for example, Mongolian, Uzbek, and Tartar; and Denis says that the graduates are in such demand that the intelligence agencies hire his students away before they finish training.

Elsewhere in the University of Illinois, the African languages of Lingala, Bambara, Mandingo, Hausa, Chichewa, Shona, Zula, and Iwe would be in real trouble.

At Pennsylvania, all of the South Indian languages—Tamil, Telegu, Kannada, and Malayslam would go. The various directors told me that not only would the teachers and courses be in jeopardy, but also in all of these languages, students midway through the 4 or 5 years of training needed to get a basic competency would be suddenly terminated.

The wasteful loss to the Nation would be immense, and the skills these students get are so clearly in the national interest as against the State, local, or private interest, that other resources are not likely to be forthcoming, certainly in the short term.

Other language and area center functions serving the national interest would also disappear. At Texas, a weekly radio program dealing with Latin American affairs, a program broadcast by some 70 stations around the country, would be lost, as well as a statistical and information publishing service which for decades has provided the most reliable information on Latin America to private and public users in the United States.

At Pittsburgh, courses on international security analysis and public policy would disappear, and at Georgetown, the work of one of the very few training centers for translators and interpretors would be severely hampered. I share the directors' dismay.

My final feeling is alarm. Everybody, but everybody, now knows that America's future is intimately bound with that of the rest of the world. On every side, I hear business leaders saying that future generations of businessmen have to be trained to cope in such a world; indeed, Congress has put the first $1 million into part B of title VI to stimulate international business training.

Yet, in the name of fiscal restraint and to rob Peter to pay Paul, we are about to dismantle the resources for training those generations that several administrations and many Congresses have built up so carefully over the years.

If there ever were a time and a domain to stay the course, this is it. Indeed, instead of zeroing title VI in the fiscal year 1984 budget, we in the field hope that the funding, which has stayed at just about the same level, around $25 million for a number of years, now can be raised to the congressional reconciliation level of $30.6 million which the authorization and appropriation process arrived at for fiscal year 1984.

Standing still in inflationary times is another way of diminishing a program.

Mr. Chairman, I have the feeling that we are witnessing yet another episode of the Perils of Pauline. Every 5 or 6 years, someone ties the appropriation for title VI onto the railroad tracks. I hope that Congress will once again snatch it away from under the wheels of the oncoming train.

Thank you for your attention.

Mr. SIMON. Thank you, Dr. Lambert, for an excellent statement and I hope we do snatch from the wheels of the oncoming train. I am frankly embarrassed that we have a $30 million figure in an $800 billion budget.

We appreciate your testimony.

Dr. Anne Pruitt, the associate dean of the graduate school of Ohio State University.

Dr. Pruitt, we are pleased to have you here.

STATEMENT OF ANNE PRUITT, ASSOCIATE DEAN, THE GRADUATE SCHOOL, OHIO STATE UNIVERSITY

Ms. PRUITT. Thank you, Mr. Chairman.

I am appearing today, Mr. Chairman, and members of the subcommittee, on behalf of the American Council on Education, the Association of American Universities, the Association of Graduate Schools, the Council of Graduate Schools in the United States, the National Association of State Universities & Land-Grant Colleges, and the Ohio State University, as well as other institutions of higher education that are currently administering fellowships under the graduate and professional fellowship study grant program.

I appreciate this opportunity to report on our experience with this program, which is now in its fifth year. At Ohio State, I have responsibility for all the graduate fellowship programs and I direct one of the eight regional resource centers. I, therefore, have had the opportunity to become familiar with GPOP from both a campus and a national perspective.

This program, formerly known as the graduate and professional opportunity program, supports activities that increase access and promote completion of graduate and professional degrees by minorities and women. The program authorizes grants to institutions of higher education to strengthen, improve, and expand the qualify of graduate and professional programs leading to advanced degrees.

As you know the President's fiscal year 1984 budget request targets GPOP for elimination in two ways. First, should the Congress agree to the rescission of the $10 million appropriated for the program for fiscal year 1983; second, by not requesting any funds for this program in fiscal year 1984.

Under either of these proposals, 700 currently enrolled second- and third-year students would not be held harmless and would thus have to find other sources of support to complete their degree programs.

An additional 495 prospective students whose applications are now being reviewed, would not be able to enroll. The consequences are far more extensive than these figures suggest.

Let me illustrate by providing you with some information about doctoral degrees conferred in 1981. American universities awarded more than 31,000 Ph. D. degrees in that year. Less than one-third of them went to women; blacks earned 3 percent, Mexican Americans, Puerto Ricans, and American Indians each earned less than 1 percent; 12 percent of all doctoral degrees were earned by non-U.S. citizens studying in this country on temporary visas.

For the first time, the proportion of doctoral recipients in a broad field, that is, engineering, reporting foreign citizenship exceeded the proportion reporting U.S. citizenship.

Only two Federal agencies, NSF and the Department of Education, award graduate fellowships that are targeted for minorities. NSF, under its minority graduate fellowships program, awarded 159 fellowships in 1982, and the Department of Education awarded approximately 1,045 GPOP fellowships.

The latter, GPOP, represents the only Federal commitment to graduate education for both minorities and women. A total, then, of 1,204 fellowships reflects a small Federal commitment to this group that has been disenfranchised for years and is still gravely underrepresented in the advanced levels of the U.S. work force.

The GPOP has responded significantly to the matter of access and, as a consequence, to the labor force needs of our Nation. Of 1,045 GPOP fellowships in 1982–83, 35.9 percent were awarded to students in the physical sciences and engineering; 16.3 percent to students in the life science; and 16.2 percent to social science students.

In 1982–83, black Americans received 54.1 percent; Hispanic Americans 19.2 percent; Native Americans 3 percent; Asian Americans 5.4 percent; and majority women, 18.3 percent of the GPOP awards.

The administration argues that other sources of support are available, especially the guaranteed student loans and other loan programs subsidized by the Department of Education.

Thanks mostly to the U.S. Congress, these programs continue to exist for graduate and professional students. These loan programs are needed and they are necessary, however, because of increasing loan burdens, they fail to provide the necessary access to and expansion of minority participation in graduate and professional degree programs.

Minorities already make disproportionate use of loans. Over all fields in 1981, black Ph. D.'s reported the greatest use of loans. Blacks, along with Hispanics, also get more support from use of national fellowships, particularly in the social sciences and humanities.

It is not unusual for the majority of black students in an historically black college to come from families with an annual income of less than $10,000. Indeed, families with less than $10,000 annual

income account for nearly two-thirds of the talented and needy graduate students in a study recently completed at the educational testing service.

The median black family income in 1980 is reported to have been only 57 percent of that of white families. It was even worse for American Indians and Puerto Ricans. After college graduation, children from these families are inclined to accept a job offer over graduate school.

Simple logic suggests that eliminating all fellowships and increasing prospects of indebtedness and work is tantamount to discouraging graduate study.

The brainpower of this growing segment of the population will be sorely needed by the United States in this and the next century. The leaders, scholars, and teachers of the future are being educated right now in graduate and undergraduate institutions. To eliminate student aid and fellowship programs for minorities and women and to reduce TRIO programs, represents extremly shortsighted policymaking.

It also demonstrates a lack of understanding of the goals and the opportunities supported by Congress over the last 20 years. Programs to redress the imbalance in educational opportunities have received broad, bipartisan, congressional support because they provide access and opportunity to higher levels of learning and the professions for citizens who need access and opportunity the most.

Now, although GPOP is small, and although it has been in existence for only 5 years, it is beginning to accomplish its goals as set out by the Congress. Most encouraging is the profile of GPOP fellows who have completed degrees.

Information to date shows that 53 students received the Ph. D. degree in 1982 with GPOP support. They studied in a variety of fields, including physics, pharmacology, statistics, anatomy, physiology, law, mathematics, and veterinary anatomy.

in such institutions as Michigan State, the University of North Carolina, the University of Utah 12 of the 53 students hold faciluty positions and one person is head of the computer and information science department at Tuskegee Institute.

Seven recipients hold research and other positions in private industry, including Hewlett-Packard, Bell Labs and Meade-Johnston.

In addition, 238 masters degrees have been awarded. Of these, 52 are in engineering, and those graudates are employed at such places as White Sands missile range, the Government of Puerto Rico, and Westinghouse, and one is a faculty member at the University of New Mexico.

Moreover, there were 41 MBA's, two are with IBM, several are at Jackson State University, one at Honeywell and one at Mellon Bank.

There are 38 persons with masters in physical sciences. They hold positions with Texas Instruments, Dow Chemical, and the Oklahoma Geological Survey.

Of the 19 in life sciences, one is a faculty member at the University of Texas, one is at Redstone Arsenal.

Finally, there are 64 persons who have received the JD degree. Some are assistant DA's, others are in private firms, one is the first black female member of the University of Kentucky Law

Journal. Others are in public defender work and still others in various Federal agencies.

We have a complete report of these graduates, which I would be happy to provide.

Ms. PRUITT. Nationally, the median registered time for students to complete the Ph.D. in the sciences is 6 years. It is even longer in the arts and humanities, more like 7 years. Currently, there are still 738 students in the GPOP program who are working toward degrees. These include second- and third-year fellows, plus those who have gone off GPOP and have been picked up by departmental or some other kind of funding.

If GPOP is continued, we estimate that 84 fellows will receive the Ph.D. degree in spring of 1983; 101 in 1984; and 119 in 1985. How sad it would be to lose these promising men and women and those who will follow them.

GPOP is an important Federal investment in the belief that our Nation is best served by enabling all of its people to achieve educational levels that can serve the needs of society. If we wish to implement this belief, we will need to continue programs such as GPOP.

The contention of the administration that this can be done through the largesse of postsecondary institutions, private foundations, and public enterprises alone is not borne out by our experience. Those institutions will respond, but the burden of support for all students is so great that they cannot budget the extra support needed for women and minorities.

Therefore, significant gains made by GPOP over the past 5 years will be imperiled.

The administration's budget for fiscal year 1984 puts a question to Congress and the American people that is far more profound than the size of the Federal deficit. It asks them to determine what kind of country is America going to be.

It asks, will our country invest in a second reconstruction or will it revert to its preoccupation of restricting educational opportunities to those born into the wealthiest strata of society.

It is hard to believe that this country will take the latter path. Equality of educational opportunity is a goal from which we cannot afford to retreat.

The GPOP program is important, both symbolically and as categorical support for some 1,200 current students. It is by no means perfect; it is vitally important for those of us dedicated to a better future for the next generation.

GPOP is, in fact, underfunded for present levels of graduate student support. At Ohio State, for example, the current fellowship stipend level is $6,048 for 12 months, compared to GPOP level of $4,500. The graduate school supplements each GPOP stipend in order to raise it to our minimum.

In addition, a few departments, such as chemistry and mathematics, supplement even more in order to make GPOP fellowships comparable to others in their disciplines.

Improvements in GPOP to bring the stipend level and cost of instruction allowance more in line with current costs would be very welcome at any time. Our first priority remains, however, the continuation of the program.

We are grateful for the support we have received over the years from the House Education and Labor Committee and in particular this subcommittee. I would like to close with a quotation from Daniel Webster who observed: "On the diffusion of education among the people rests the preservation and the perpetuation of our free institutions."

GPOP is a small, but very important, instrument in these institutions.

Thank you very much for this opportunity to present our views. I would be happy to answer your questions.

[The prepared statement of Anne S. Pruitt follows:]

PREPARED STATEMENT OF ANNE S. PRUITT ASSOCIATE DEAN, GRADUATE SCHOOL, THE OHIO STATE UNIVERSITY, COLUMBUS, OHIO

Mr. Chairman and members of the subcommittee, my name is Anne S. Pruitt, and I am associate dean of the Graduate School at the Ohio State University. I am appearing today on behalf of the American Council of Education, Association of American Universities, Association of Graduate Schools, the Council of Graduate Schools in the U.S., the National Association of State Universities and Land-Grant Colleges, and Ohio State and the other institutions of higher education that are currently administering fellowships under the Graduate and Professional Fellowship Study Grant Program of Title IX of the Higher Education Act of 1965, as amended. I appreciate this opportunity to report on our experience with this program which is now in its fifth year of operation. At Ohio State I have responsibility for all of the graduate fellowship programs and I direct one of the eight GPOP Regional Resource Centers. I have, therefore, had the opportunity to become familiar with GPOP from both a campus and national perspective.

The program, formerly known as the Graduate and Professional Opportunity Program (GPOP), supports activities that increase access and promote completion of graduate and professional degrees by minorities and women, two groups that traditionally have been underrepresented in graduate and professional programs. The program authorizes grants to institutions of higher education to strenghten, improve, and expand the quality of graduate and professional programs leading to an advaced degree.

As you know, the President's fiscal year 1984 Budget Request targets GPOP for elimination in two ways: first, should the Congress agree, to the rescission of the $10 million appropriated for the program in fiscal year 1983; second, by not requesting any funds for this program in fiscal year 1984. Under either of these proposals, 700 currently enrolled second and third year students would not be held harmless and would thus have to find other sources of support to complete degree programs. An additional 495 prospective graduate students whose applications are now being reviewed would not be able to enroll.

But the consequences are far more extensive than these figures suggest. I want to tell you some things I know about this program and why I believe it deserves Congressional support for its continuation and expansion. It is estimated that 60 percent of the nation's brainpower consists of minorities and women. Yet their underrepresentation among doctorate recipients in high demand fields is acute. To illustrate, let me provide some information about doctorate degrees conferred in 1981. Less than one-third went to women. Blacks earned 3 percent, and Mexican Americans, Puerto Ricans, and American Indians each earned less than 1 percent. Twelve percent of all doctoral degrees were earned by non-U.S. citizens studying in this country on temporary visas. For the first time, the proportion of doctorate recipients in a broad field—engineering—reporting foreign citizenship (49 percent) exceeded the proportion reporting U.S. citizenship (46 percent).

Only two federal agencies award graduate fellowships that are targeted for minorities. NSF, under its minority graduate fellowships program, awarded 159 fellowships in 1982, and the Department of Education awarded approximately 1045 GPOP Fellowship. The latter, GPOP, represents the only federal commitment to graduate education for both minorities and women. A total, then of 1,204 fellowships reflects a small federal commitment to this group that has been disenfranchised for years and is still gravely underrepresented in the advanced levels of the U.S. workforce.

A continuing and expanded commitment to the advanced education of minorities and women will amount to a second national reconstruction. GPOP can be an important part of that second reconstruction.

The GPOP program has responded significantly to the matter of access and, as a consequence, to the labor force needs of our nation. Of 1,045 GPOP Fellowships in 1982-83, 35.9 percent were awarded to students in the Physical Sciences and Engineering, 16.3 percent to students in the Life Sciences, and 16.2 percent to Social Science students. In 1982-83, black Americans received 54.1 percent, Hispanic American, 19.2 percent, Native Americans, 3 percent, Asian Americans 5.4 percent, and majority women, 18.3 percent of the GPOP awards. The administration argues that other sources of support are available, especially the Guaranteed Student Loans and other loan programs subsidized by the Department of Education. Thanks mostly to the U.S. Congress, these programs continue to exist for graduate and professional students. These loan programs are needed and necessary; however, because of increasing loan burdens, they fail to provide the necessary access to and expansion of minority participation in graduate and professional degree programs.

Minorities already make disproportionate use of loans. Over all fields, in 1981, black Ph. D.'s reported the greatest use of loans and the least overall support from university sources. Blacks, along with Hispanics, also get more support from use of national fellowships, particularly in the Social Sciences and Humanities. The substantial support differences between support patterns for the racial/ethnic groups can be seen in the fact that Asian Ph.D.'s reported more than twice as much support from university sources as did American Indians and Blacks, and the latter two groups reported self-support (which includes the use of loans) over two times as frequently as Asians.

It is in view of these realities that the following information about family income takes on significance. The number of Americans living below the poverty level has been increasing rapidly with blacks and other minorities bearing a disproportionate share of the burden. It is not unusual for the majority of the black students in an historically black college to come from families with an annual income of less that $10,000. Indeed, families with less than $10,000 annual income account for nearly two-thirds of the talented and needy graduate students in a study recently completed at Educational Testing Service. The median black family income in 1980 is reported to have been only 57 percent of that of white families. It was even worse for American Indians and Puerto Ricans. After college graduation, children from these families are inclined to accept a job offer over graduate school. Simple logic suggests that eliminating all fellowships and increasing prospects of indebtnedness and work is tantamount to discouraging graduate study.

The brainpower of this growing segment of the population will be sorely needed by the United States in this and the next century. The leaders, scholars and teachers of the future are being educated right now in graduate and undergraduate institutions. To eliminate student aid and fellowship programs for minorities and women represents extremely short-sighted policymaking. It also demonstrates a lack of understanding of the goals and opportunities supported by Congress over the last 20 years. Programs to redress the imbalance in educational opportunities have received broad bipartisan Congressional support because they provide access and opportunity to higher levels of learning and the professions for citizens who need access and opportunity the most.

Although GPOP is small and it has been in existence only five years, it is beginning to accomplish its goals as set out by the Congress. Most encouraging is the profile of GPOP Fellows who have completed degrees. Information to date shows that 53 students received the Ph.D. degree in 1982 with GPOP support. They studied in a variety of fields, including Physics, Pharmacology, Statistics, Anatomy, Physiology, Law, Mathematics and Veterinary Anatomy. Twelve of the 53 students hold faculty positions in such institutions as include Michigan State, University of North Carolina, University of Utah, and one person is head of the Department of Computer and Information Science at Tuskegee Institute. Seven recipients hold research and other positions in private industry, including Hewlett-Packard, Bell Labs, and Meade-Johnston. In addition 238 Masters Degrees have been awarded. Of these, 52 are in engineering, employed at such places as White Sands Missile Range, the Government of Puerto Rico, Westinghouse, and one is a faculty member at the University of New Mexico. Moreover, there were 41 MBA's; 2 are with IBM, several are at Jackson State University, 1 at Honeywell, and 1 at Mellon Bank. There are 38 persons with Masters in the Physical Sciences. They have positions with Texas Instruments, Dow Chemical, and the Oklahoma Geological Survery. Of the 19 in Life Sciences, 1 is a faculty member at the University of Texas. One is at Redstone Arsenal. Finally, there were 64 persons who have received the J.D. degree. Only one failed the Bar on the first try. Some are assistant D.A.s, others are in private firms, one is the first black female member of the University of Kentucky Law Journal, others are in public defender type work, and still others are in various federal agencies.

Nationally, the median registered time for students to complete the Ph.D. in the Sciences is six (6) years. It is longer (7 years) in the Arts and Humanities. Currently, there are still 738 students in the GPOP Program who are still working toward degrees. These include second and third year Fellows, plus those who have gone off GPOP and have been picked up by departmental or some other funding. If GPOP is continued, we estimate that 84 will receive the Ph.D. Degree in Spring, 1983, 101 in 1984, and 119 in 1985. How sad it would be to lose these promising men and women and those who will follow them.

GPOP is an important federal investment in the belief that our nation is best served by enabling all of its people to achieve educational levels that can serve the needs of society. If we wish to implement this belief, we will need to continue programs such as GPOP. The contention of the Administration that this can be done through the largesse of postsecondary institutions, private foundations and business enterprises alone is not borne out by our experience. Those institutions will respond, but the burden of support for all students is so great that they cannot budget the extra support needed for women and minorities. Therefore, significant gains made by GPOP over the past 5 years will be imperiled.

The Administration's budget for fiscal year 1984 puts a question to Congress and the American people that is far more profound than the size of the federal deficit. It asks them to determine what kind of country is America going to be? It asks will our country invest in a second Reconstruction or will it revert to its preoccupation of restricting educational opportunities to those born into the wealthiest strata of society. It is hard to believe that this country will take the latter path. Equality of educational opportunity is a goal from which we cannot afford to retreat!

The GPOP Program is important both symbolically and as categorical support for some 1,200 current students. It is by no means perfect, but it is vitally important for those of us dedicated to a better future for the next generation. GPOP is in fact underfunded for present levels of graduate student support. At Ohio State, the current fellowship stipend level is $6,048 for 12 months compared to GPOP level of $4,500. The Graduate School supplements each GPOP stipend in order to raise it to our minimum. In addition, a few departments such as Chemistry and Mathematics supplement even more in order to make GPOP Fellowships comparable to others in their disciplines.

Improvements in GPOP to bring the stipend level and cost of instruction allowance more in line with current costs would be very welcome at any time. Our first priority remains, however, the continuation of the program. We are grateful for the support we have received over the years from the House Education and Labor Committee and in particular this subcommittee.

As Daniel Webster observed . . . "on the diffusion of education among the people rests the preservation and perpetuation of our free institutions." GPOP is a small but very important instrument in these institututions.

Thank you very much for this opportunity to present our views. I would be happy to answer any of your questions.

Mr. SIMON. Thank you, Dr. Pruitt, and I think you are correct in posing the fundamental philosophical question which really goes beyond the immediate appropriation.

Dr. Earl Farrow, associate professor, director of special services, Livingston College, Rutgers University.

STATEMENT OF EARL VANN FARROW, ASSOCIATE PROFESSOR, DIRECTOR OF SPECIAL SERVICES, LIVINGSTON COLLEGE, RUTGERS UNIVERSITY

Mr. FARROW. Mr. Chairman and members of the subcommittee, we appreciate the opportunity to testify before you this morning regarding the impact of the administration's proposal for the special programs for students from disadvantaged backgrounds for fiscal year 1984.

My name is Earl Farrow, I am director of the TRIO programs and the educational opportunity fund program at Livingston College of Rutgers University. I am presenting this testimony on behalf of the National Council of Educational Opportunity Associations.

Most of the projects represented by the council are funded under the special programs for students from disadvantaged backgrounds [TRIO] subpart of the title IV of the Higher Education Act of 1965.

Included in the administration's request with respect to this subpart is not only a proposal to cut TRIO funding by 77 percent in 1984, but also a proposal for authorizing changes. Changes which would shift TRIO from a student assistance program to an institutional aid program.

These proposals, if enacted, would radically change the nature of the Federal commitment to achieving equal educational opportunity in postsecondary education and they are strongly opposed by the national council.

As you know, the special programs for students from disadvantaged backgrounds, commonly referred to as the TRIO programs, include five programs: special services for disadvantaged students, upward bound, talent search, educational opportunity centers, and a training program for TRIO staffs.

The 1,284 TRIO projects operate in 814 colleges and universities and 69 community agencies. In fiscal year 1982, TRIO projects served a total of 494,280 students. Among TRIO students, 41 percent are black, 35 percent are white, 17 percent are Hispanic, 4 percent are American Indian and 3 percent are Asian.

I would like to briefly discuss each of the TRIO programs and the effect of the administration's proposal with respect to them.

First, special services for disadvantaged students. The 640 special services for disadvantaged students projects provide such support services as basic skills instruction, personal counseling, academic counseling, tutoring, graduate and professional placement assistance, and career counseling to disadvantaged students enrolled in college.

Presently, 150,622 students are served by special services projects.

The administration is proposing to continue a special services-like program but to redirect it on the basis of institutional makeup. Only institutions which have enrollments which are more than 50 percent minority would be eligible for funding.

This would eliminate all except 22,350 of the current students enrolled in the program. It would, for example, eliminate 63 percent of the black students who are now served by the program. It would also eliminate almost all Hispanic students enrolled in college anywhere, with the exception of Puerto Rico and all Native American students not enrolled in tribally controlled junior colleges.

In New Jersey, it would eliminate all special services projects with the exception of probably the project hosted by Essex County Community College.

It appears that the administration believes that predominantly white institutions do not need special services projects. It is not clear if this philosophy is predicated on an assumption that these institutions should not enroll students who need supportive services, or an assumption that these institutions can afford to offer these services without Federal assistance.

In my view, neither of the assumptions is correct. At Rutgers University, for example, tuition has increased 80 percent over the

last 4 years. We anticipate that there will be a 12-percent increase in tuition for the next year.

In addition to these tuition increases, the State has recommended that universities sustain a $5.1 million cut next year. This has come about as a result of the financial crisis or financial problems faced by the State.

In this situation, the chances that the State or the institution would pick up the cost of providing the supportive services now underwritten by Federal funds is almost nil.

The other possible assumption which could underline the administration's proposal is that students needing supportive services should not be enrolled in majority institutions. This is even more troubling. If acted upon, it would have the effect of resegregating disadvantaged students in historically minority institutions and community colleges.

Further, it would accelerate the under representation of minority and low-income students at both private and public 4-year colleges and universities.

UPWARD BOUND

Presently, 35,800 students are served by the Upward Bound projects at 444 institutions. These projects provide disadvantaged students intensive counseling and basic skills instruction during the summer and during the academic year. This is in preparation for college enrollment.

Under the Administration's proposal, Upward Bound would be discontinued in fiscal year 1984.

TALENT SEARCH AND EDUCATIONAL OPPORTUNITY CENTERS

Finally, I would like to stress the council's absolute opposition to the President's recommendation to zero out talent search and educational opportunity centers in fiscal year 1984, and to rescind their total appropriation for fiscal year 1983.

The talent search program was the first of the TRIO projects begun in 1965 to search out a new population of talented and exceptionally needed students who had previously been denied access to postsecondary education.

Today, as minority and low-income enrollments continue to decline, these services are more necessary than ever before.

Over the last 2 years, these declines have been exacerbated by misperceptions regarding the availability of financial aid. United Negro College Fund institutions, for example, report a 12-percent decrease in the size of their freshmen class. Many prestigious institutions are also reporting declines in minority enrollment. For example, Harvard's enrollment is down 7 percent, Cornell's is down by approximately 12 percent.

The National Association of Independent Colleges and Universities report a 30-percent drop in enrollment of students from families with incomes below $24,000.

Talent Search and Educational Opportunity Centers provide the information and assistance necessary to counteract these trends. Last year, Talent Search projects provided 179,000 youths with information about college and financial aid. Educational Opportunity

Centers provide services quite similar to those provided by Talent Search, but focus those services on adults.

In fiscal year 1982, EOC served 108,400 clients. At a time when many working-class adults require additional training and education to become employable, the administration has recommended that these services, which need to be greatly expanded, be abolished.

It should be noted that in its report accompanying the Education Amendments of 1980, the Committee on Education and Labor expressed its view that: "The TRIO programs are an integral part of the student assistance programs aimed at achieving educational opportunity."

In refining the Education Amendments of 1980, this subcommittee examined 12 years of experience in attempting to broaden access to, and retention in, higher education. It saw that financial aid, in and of itself, was a necessary precondition to equal opportunity, but it alone was not sufficient to achieve it.

The administration now proposes to ignore that experience and to usurp the authority of the authorizing committees by using the budget and appropriation process to change TRIO from a student-assistance program to an institutional aid program.

In the process, it would eliminate all information services regarding educational opportunities available and deprive most blacks, most Hispanic students, most American Indian students, and almost all white students of supportive services while enrolled in college.

The National Council of Educational Opportunity Associations strongly opposes the administration's recommendations.

[The prepared statement of Earl Vann Farrow follows:]

PREPARED STATEMENT OF DR. EARL VANN FARROW, DIRECTOR OF TRIO PROGRAMS AND THE NEW JERSEY EDUCATIONAL OPPORTUNITY FUND PROGRAM

Mr. Chairman and members of the subcommittee, we appreciate the opportunity to testify before you this morning regarding the impact of the Administration's proposals for the Special Programs for Students from Disadvantaged Backgrounds for fiscal year 1984. My name is Earl V. Farrow, I am director of the TRIO Programs and the New Jersey Educational Opportunity Fund Program at Livingston College of Rutgers University. I am presenting this testimony on behalf of the National Council of Educational Opportunity Associations. The NCEOA is made up of ten regional Associations whose membership is composed of approximately 2,800 instructors, counselors and administrators working in compensatory programs for students from low-income, minority and disadvantaged backgrounds.

Most of the projects represented by the Council are funded under the Special Programs for Students from Disadvantaged Backgrounds (TRIO) subpart of the Title IV of the Higher Education Act of 1965. Included in the Administration's request with respect to this subpart is not only a proposal to cut TRIO funding by 77 percent in fiscal year 1984, but also a proposal for what are in fact authorizing changes in the Subpart—changes which would shift TRIO from a student assistance program to an institutional aid program. These proposals if enacted, would radically change the nature of the federal commitment to achieving equal educational opportunity in postsecondary education and they are strongly opposed by the National Council.

As you know, the Special Programs for Students from Disadvantaged Backgrounds, commonly referred to as the TRIO programs, include five programs: Special Services for Disadvantaged Students, Upward Bound, Talent Search, Educational Opportunity Centers, and a training program for TRIO staffs. The 1,284 TRIO projects operate in 814 colleges and universities and 69 community agencies. in fiscal year 1982 TRIO projects served a total of 494,280 students. Two-thirds of these students were from families where (1) the total taxable income was less than 150 percent of the poverty level and (2) neither parent had graduated from college.

Among TRIO students, 41 percent are Black, 35 percent are white, 17 percent are Hispanic, 4 percent are American Indian and 3 percent are Asian.

I would like to discuss each of the TRIO programs and the effect of the Administration's proposals with respect to each.

SPECIAL SERVICES FOR DISADVANTAGED STUDENTS

The 640 Special Services for Disadvantaged Students projects provide such supportive services as basic skills instruction, personal counseling, academic counseling, tutoring, graduate and professional placement assistance, and career counseling to disadvantaged students enrolled in college. Presently 150,622 students are served by Special Services projects. Forty percent of the students enrolled are black, 38 percent are white, 15 percent are Hispanic, 4 percent are Asian and 3 percent are American Indian.

The Administration is proposing to continue a Special Services-like program but to redirect it on the basis of institutional make-up. Only institutions which have enrollments which are more than 50 percent minority would be eligible for funding. This would eliminate all except 22,350 currently served students from the program. It would, for example, eliminate 63 percent of the Black students who are now served by the program. It would also eliminate almost all Hispanic students enrolled in college anywhere except in Puerto Rico and all Native American students not enrolled at tribally controlled junior colleges. In New Jersey it would eliminate all Special Services projects with the exception of the project hosted by Essex County Community College.

The project which I direct at Rutgers, which would, of course be eliminated, is what might be referred to as a joint venture between the State of New Jersey and the Federal Government. It has a combined budget of approximately $464,000, of which $231,625 is from a Special Services grant. In addition to direct operating funds, the State of New Jersey provides $300,000 in special scholarship aid solely to Special Services/EOF students at Livingston College. Additionally, the College provides special instructional support which lowers the faculty/student ratio for participants in the project.

Students in the Special Services project at Rutgers/Livingston are selected at the time of admission on the basis of academic and financial need. Many students in the project would not be admitted to the University if these services were not available. Once in the project, students receive special academic counseling and advisement from program counselors as well as personalized instruction through tutoring or small group seminars. Presently, through a combination of state and federal resources, we are implementing a Micro-Computer Tutorial Assistance Program which takes advantage of the latest technology and enables students to review course material and problems at any time. With faculty support, we are in the process of developing tutorial diskettes for almost all courses offered by the College in which participants normally enroll. This tutorial center has allowed us to lower our per student cost, a measure necessary because of fiscal constraints imposed in the last few years. In addition to specialized counseling and tutoring, most Rutgers/Livingston Special Services freshmen are enrolled in special Freshman Studies Program funded by the College. This program offers regular college coursework in the more supportive environment made possible with lower student to faculty ratios.

Special Services at Rutgers/Livingston College has been in operation for the last ten years. A review of the enrollment data indicates that the project is graduating students at approximately the same rate as the College as a whole. This is particularly significant in that many of the students in the project would never have been accepted into Rutgers if the project did not exist.

It appears that the Administration believes that predominatly white institutions do not need Special Services projects. It is not clear if this philosophy is predicated on an assumption that these institutions should not enroll students who need supportive services, or an assumption that these institutions can afford to offer these services without federal assistance. In my view, neither of these assumptions is correct. At Rutgers University, for example, tuition has increased 80 percent in the last four years and a 12 percent increase is projected for next year. But even with this increase in tuition, the state is recommending that the University budget be cut by five and one half million dollars next year, a cut necessitated by the serious economic problems which the state faces. In this situation, the chances of the state or institution picking up the cost of providing the supportive services now underwritten by federal funds is almost nil. In fact, the EOF part of my operating budget has been frozen at present levels for the past 3 years.

The other possible assumption which could underlie the Administration's proposal is that students needing supportive services should not be enrolled in majority institutions. This is even more troubling. If acted upon, it would have the effect of resegregating disadvantaged students in historically minority institutions and community colleges. Further, it would accelerate the underrepresentation of minority and low-income students at both private and public four year colleges and universities.

UPWARD BOUND

Presently, 35,800 students are served by Upward Bound projects at 444 institutions. These projects provide disadvantaged students intensive counseling and basic skills instruction both during the summer and in the academic year to prepare them for college enrollment. Under the Administration's proposals, Upward Bound would be discontinued in fiscal year 1984.

It would indeed be tragic to eliminate these projects at a time when their effectiveness has been proven and the need for them has been demonstrated. According to the most recent national study of Upward Bound, conducted by Research Triangle Institute for the Department of Education, 91 percent of Upward Bound graduates enter college. Upward Bound has been in existence at Rutgers for sixteen years and our experience is quite close to that of the RTI study. Rutgers Upward Bound graduates have had a college going rate of 87 percent. Moreover, among students graduating from the Rutgers Upward Bound project between 1966 and 1976, 65 percent of those who had enrolled in college, graduated.

It cannot be argued that there is no longer any need for supplementary basic skills instruction and motivational counseling among disadvantaged high school students. Many of you, in recent weeks have been tackling the problem of mathematics and science under-preparedness among the general population. The problem, which is widely evidenced among the entire population, is particularly acute among the disadvantaged. Indeed, many students in the Special Services project at Rutgers have to take developmental mathematics before advancing to the discipline of their choice. Good Upward Bound projects eliminate this need at the college level and increase student choice.

The seriousness of this situation is highlighted in a recent memorandum from T. Edward Hollander, Chancellor for Higher Education for the State of New Jersey. He reports that among 51,000 recent New Jersey high school graduates who enrolled in all public and ten private New Jersey colleges in the fall of 1982, only 27 percent appeared to be proficient in verbal skills; only 32 percent appeared to be proficient in computation, and only 11 percent appeared to be proficient in elementary algebra. Further, the Chancellor reports that there has been no measurable change in proficiency level for entering students in the past five years.

Nationally Upward Bound is only serving a very small percentage of those eligible for and in need of its services. But without assistance at the high school level, many of these very talented disadvantaged youth, indeed many future leaders, would have their potential and ambitions abruptly truncated.

TALENT SEARCH AND EDUCATIONAL OPPORTUNITY CENTERS

Finally I would like to stress the Council's absolute opposition to the President's recommendations to zero out Talent Search and Educational Opportunity Centers in fiscal year 1984 and to rescind their total appropriation in fiscal year 1983. Talent Search was the first of the TRIO projects, begun in 1965 to search out a new population of talented and exceptionally needy students who had previously been denied access to postsecondary education. Today, as minority and low-income enrollments continue to decline, these services are more necessary than ever before.

A recent paper commissioned by the National Commission on Student Financial Assistance documented the declines in enrollment among low-income students generally, and low-income black students particularly, over the past seven years:

PARTICIPATION RATES

[Income in 1981 dollar]

	1974	1981	Percent change
Dependent students:			
0 to $6,000	27.3	24.4	−10.6
$6,000 to $7,500	30.7	26.5	−13.7

PARTICIPATION RATES—Continued

[Income in 1981 dollar]

	1974	1981	Percent change
$7,500 to $10,000	30.2	35.2	+16.2
$10,000 to $12,500	29.7	33.5	+12.8
$12,500 to $15,000	31.1	29.9	−3.5
Total dependent	41.3	41.0	−.7
Dependent black students:			
0 to $6,000	30.7	21.2	−30.9
$6,000 to $7,500	42.5	20.3	−52.2
$7,500 to $10,000	36.0	31.9	−11.4
$10,000 to $12,500	32.3	23.4	−27.6
$12,500 to $15,000	32.9	35.4	+7.6
Black dependent	33.3	29.9	−10.2

In the last two years, these declines have been exacerbated by misperceptions regarding the availability of financial aid. United Negro College Fund institutions, for example, report a 12 percent decrease in the size of their freshman classes. Many prestigious institutions report similar declines in minority enrollment: Harvard's minority enrollment is down by 7 percent, Cornell's is down by 10 percent. The National Association of Independent Colleges and Universities reports a 30 percent drop in enrollment of students from families with incomes below $24,000.

Talent Search and Educational Opportunity Centers provide the information and assistance necessary to counteract these trends. Last year Talent Search projects provided 197,000 youth information about college and student financial aid. They also provided assistance in applying for admission and for aid. The College Board reports that 25 percent of the low-income students who took the SAT test and used fee waivers, received assistance from Talent Search or EOC projects. Project placement records suggest that nearly 20 percent of black and Hispanic students who entered college last year received assistance from a Talent Search project.

In a time of deep pessimism in many of our nation's cities, the need for accurate and timely information is particularly accute. Equally important is assistance with meeting deadlines, filling out forms, and weighing options. It should be remembered that few Talent Search clients have parents who have had any experience with higher education, and many, if not the majority of parents, are not high school graduates.

Educational Opportunity Centers provide services quite similar to those provided by talent Search but focus those services on adults. In fiscal year 1982, EOC's served 108,400 clients. At a time when many working class adults require additional training and education to become employable, the Administration, is recommending that these services—which need to be greatly expanded—be abolished.

It should be noted that in its report accompanying H.R. 5192, the Education Amendments of 1980, the Committee on Education and Labor expressed its view that: "The TRIO programs (are) an integral part of the student assistance programs aimed at achieving equal educational opportunity. Without the information, counseling and academic services provided by the TRIO programs, disadvantaged students are often unable to take advantage of the financial aid provided by the other Title IV programs, and, more importantly, such students do not develop their talents by gaining access to postsecondary educational opportunities and completing a course of study once they have embarked on it."

In refining the Education Amendment of 1980, this Subcommittee examined twelve years of experience in attempting to broaden access to, choice, and retention in higher education. It saw that financial aid, in and of itself was a necessary precondition to equal opportunity, but that it alone was not sufficient to achieve it.

The Administration now proposes to ignore that experience and to usurp the authority of the authorizing committees by using the budget and appropriations processes to change TRIO from a student assistance program to an institutional aid program. In the process, it would eliminate all information services regarding educational opportunities available, and deprive most black students, most Hispanic students, most Indian students, and almost all white students of supportive services

while enrolled in college. The National Council of Educational Opportunity Associations strongly opposes the Administration's recommendations.

Mr. SIMON. Thank you very much, Dr. Farrow.

Dr. Roy Wooldridge, Vice President of Northeastern University and President of the National Commission on Cooperative Education.

Dr. Wooldridge.

STATEMENT OF ROY WOOLDRIDGE, VICE PRESIDENT, THE NORTHEASTERN UNIVERSITY AND PRESIDENT, NATIONAL COMMISSION ON COOPERATIVE EDUCATION

Mr. WOOLDRIDGE. Mr. Chairman, I am Roy Wooldridge from the National Commission for Cooperative Education, which is a body formed in 1962 to missionize in the field of co-op ed, if you will, and I am also vice president of Northeastern University in Boston which offers the largest co-op education programs in the country.

If I may, I am going to accept your previous offer of entering my paper in the record as submitted and then just make some summarizing statements because I realize time is of essence and there are important points I would like to get across.

Mr. SIMON. It will be entered in the record.

Mr. WOOLDRIDGE. First of all, I bring to you an opposition, strong opposition, to the administration's calls for two things. One, a rescission of the fiscal year 1983 title VIII cooperative education line item, which is 14.4 million, and I also bring you opposition to the zero funding of that same line item in fiscal year 1984.

For the benefit of the members of the committee who may not know, the cooperative education program is an educational method that combines alternating periods of work and study, the jobs in the work portion of it are paid, and are related to the career objectives of the students; that is, chemistry majors work on chemistry jobs, and accounting majors on accounting jobs.

The principal concern of the program is to provide an educational experience. However, from 20 years of experience in testifying before committees and talking to Congressmen and Senators on both sides of the aisle, it can come down to a very basic description, not one that educators would put forth, but a byproduct is that students work in American business and industry, and by the sweat of their labor, productive labor for companies, earn money and then use that money that they earn from their labor to pay for their education. No doles, no handouts, no loans are part of the program.

I, for one, along with many others, do not understand why the current administration would not be highly in favor of that, since it seems to mesh so beautifully with their own philosophy. Let me give you an example of the financial aid impact. The average cooperative education student, higher education programs, 2- and 4-year institutions, earns $226 a week during his or her work period.

Each student works 26 weeks or approximately 6 months 1 year and goes to school 6 months. That is $5,800 a year of earnings, gross earnings, so if we assume taxes and other things taken out and commuting expenses, say a round figure of $5,000 per student would be a conservative estimate.

At my own institution, Northeastern University, let me give you three examples of how it works. In engineering, if you were a parent and I was talking to you and you were from a local Massachusetts area where your son or daughter could commute to the institution, I would tell you that you could go though a 5-year, and the co-op program is 5 years, engineering program, your son or daughter, for $300 a year, that is $1,500 for the degree, the final engineering degree, and that is on an average paid co-op job.

If your son or daughter ended up on one of the best paid co-op jobs, not only would the degree cost you nothing at all, this is at the end of 5 years now, but your son or daughter would have $8,500 of surplus, either in a bank account or in a new car in the garage.

In business administration, a different college because the pay rates are different, it would cost you $1,200 a year, or a total cost of $6,000 for the bachelor's degree. If the student is on the best-paid job, then he or she would end up with a degree in hand, no cost to the parents of the student, and $3,000 worth of surplus.

And in the arts and the humanities and the social sciences, the most difficult area for one to understand, it would cost you $1,400 a year, or $7,000 total cost for the bachelor's degree. On the highest paid jobs, no cost at all, and $800 in the bank. There are fewer dollars in surplus as you go down because the salaries are lower.

On the whole in the Nation, the 200,000 higher education co-op students at $5,000 per year that I mentioned earlier, that is $1 billion a year, would be the total annual earnings of the students currently in cooperative education programs.

Let's look at the tax picture. Each of these students, if you take the current IRS tax tables, and you take out the $1,000 exemption, that brings it down to 4,000, pays $220 per year to the Federal Government in income taxes and $335 a year in social security, FICA.

Say $500, that is close enough, it adds up to more than that, but say $500. That is 10 percent of the student wages of $1 billion a year come back to the Federal Government in taxes. That is $100 million in Federal taxes, to offset the 14.4 million that was appropriated in fiscal year 1982 and is a line item in fiscal year 1983 and currently up for rescission if the administration has its way.

Remember, these figures that I am giving you on the return to the Federal Government does not count the higher future earnings of these young people because of a college degree, much like the GI bill after World War II and the future return in advanced earnings.

The colleges need the money. It is seed money, the $14.4 million is not given to students, it is given to universities as seed money to entice them to start up programs that produce these kinds of earnings to students. The college presidents need this initial assistance, seed money, in order to break through and get into the field, and then the program becomes self-supporting down the road.

Keep in mind, finally, the demographic data. 20- to 25-percent drop in youth in the New England area that 40-percent drop in the 18-year-old population within the next 3- to 5-year period. That is just a fact if you count the noses.

Employers and colleges are all going to compete for a smaller pool of young people. Cooperative education is a way to share that, and employers are already beginning to see that, so the popularity

of cooperative education is going to increase tremendously with students, parents because of the financial aid aspect and employers because they will see that that is a way to share this smaller pool of young people by keeping one foot in college and one foot in industry and both sides sharing at least part of the very rare supply of young people that will be in our society. And of course, the program does so much, as I already pointed out, to prepare youth for an appropriate place in American society with the proper work ethic.

Thank you for the opportunity to summarize and to testify and I would be delighted if you have any questions or comments.

[The prepared statement of Roy L. Wooldridge follows:]

PREPARED STATEMENT OF ROY L. WOOLDRIDGE, PRESIDENT, NATIONAL COMMISSION FOR COOPERATIVE EDUCATION AND VICE PRESIDENT FOR COOPERATIVE EDUCATION, NORTHEASTERN UNIVERSITY, BOSTON, MASS.

Mr. Chairman and distinguished members of the subcommitee, my name is Roy L. Wooldridge. I am President of the National Commission for Cooperative Education, a nonprofit organization founded in 1962 to advance the cause of cooperative education. I am also vice president for Cooperative Education at Northeastern University, the nation's largest private university and also the largest cooperative education institution of higher learning.

I come before you today having just returned from the World Conference on Cooperative Education held in Melbourne, Australia. This international conference, the third of its kind, is a manifestation of a growing world-wide interest in the cooperative method of higher education. Yet amid this increasing global concern, here at home we face an Administration that seeks to rescind the fiscal 1983 appropriation for title VIII Cooperative Education Program and has zero budgeted this item for fiscal 1984.

For those subcommittee members who may be unfamiliar with postsecondary cooperative education, it is an educational method whereby college students combine periods of classroom study with periods of off campus, paid employment in jobs related to their field of study and/or career interests. These jobs are in both the private and public sectors and enable students, through their own labor, to pay for a significant portion of their college expenses while gaining valuable work experience.

Mr. Chairman, I belive the Admininstration is pursuing the correct course in seeking to make Americans more independent more self-sufficent, and less dependent upon the Federal Government; and in striving for reduced Government spending and greater private sector involvement. However, in eliminating support for cooperative education the Administration is acting contrary to this course of action since cooperative education is one educational program that embraces the basic elements desired by the Administration. My belief is based on the following facts.

In a time of growing concern over the preparation of our workforce and the quality of our education system, cooperative education produces experienced, relevantly trained, highly employable college graduates for industry. By combining education with related work, students not only learn the realities of the adult working world but receive up-to-date, state-of-the-art training in the field and are thus better prepared to meet the rapidly changing needs of our nation's employers.

In the process of obtaining this practical and timely college education, cooperative education students can use their own earnings to finance most of their college expenses. Unlike other means of student financial assistance, cooperative education is neither a loan, a dole, nor a make-work program. Value received for value given is its trademark, and useful, unsubsidized employment is the source of students' financial assistance. Through participation in cooperative education, college students earn an average of $5,000 a year. This enables many to graduate not only with a permanent job in hand as a result of their cooperative work experience, but free of long-term, burdensome debts.

The 200,000 cooperative education students in postsecondary education earn $1 billion per year. Through Federal income taxes and social security contributions, approximately 10 percent or $100 million are returned to the Federal treasury each year by these students. Obviously, this more than offsets the current appropriation of $14.4 million in the fiscal 1933 budget.

Beyond its important financial aid aspect, cooperative education gives young people direction and purpose in the pursuit of their education. By understanding how their classroom learning can be applied in the workplace, students are better able to make career decisions and set career goals, and are better motivated to achieve their goals.

Employers find that hiring cooperative education students significantly lowers recruiting costs, improves the retention rates of college graduates, and assists in accomplishing affirmative action goals. Furthermore, employers see cooperative education as a means of tapping the shrinking supply of young people, in advance of permanent hiring, thus increasing their chances of being able to meet their furture manpower needs.

Of significant importance are the benefits of cooperative education to society. Cooperative education is the reinforcement of the American work ethic. It builds in young people a respect for work and for the value of money earned through work. Through participation in cooperative education, young people gain an understanding and appreciation of the American free enterprise system and, because they are allowed to be a part that system, recognize a role for themselves as responsible, contributing members of our society.

As you know, the title VIII Cooperative Education Program does not involve direct financial aid to students. Federal funds are granted to colleges and universities as seed money to enable then to initiate, strengthen, and improve their cooperative education programs which subsequently serve thousands of students. With educational institutions presently under acute financial strain, this Federal seed money support is particularly important to ensure that fledgling programs are not eliminated before they have a chance to reach their full potential.

In addition, only a few years ago, the Department of Education embarked on an important long-range program to accelerate the development of cooperative higher education. Since 1980, a limited number of grants have been authorized under title VIII to be awarded for the development of comprehensive, large-scale cooperative education program for the purpose of enrolling large numbers of students. The process, involving major institutional change, is not accomplished quickly. This important test project for the accelerated growth of cooperative higher education must not be abandoned in midstream. Only now are some of the changes beginning to take effect, and more colleges and universities are becoming interested in adopting a large-scale cooperative education plan. A momentum has been started which we must not stop.

There are those who might argue that because of the benefits derived by private industry from cooperative education, therefore this program should look to the private sector for its support. I would respond that the private sector does support cooperative education, through the hiring and training of hundreds of thousands of cooperative education students each year. It would be unreasonable to expect the private sector to support institutional programs as well. The private sector historically has supported education through donations for research and capital expenditures but not for program administration.

We applaud the initiative that thas been taken by the Administration in proposing the enlargement of the College Work-Study Program as it seeks practical means to assist college students in financing their education. However, we ask that the Administration and the Congress give close consideration to Cooperative Education as a dramatically more effective program. It is more effective in that students are not engaged in subsidized jobs of questionable relevance but are performing important work, fully paid for by the employer. Also, unlike the College Work Study Program whereby 85 percent of the students remain on campus performing menial jobs, through the Cooperative Education Program most students are employed off campus, in the private and public sectors, as part of the adult working world. Because of this career related, paid work experience, cooperative education students exhibit outstanding success in finding meaningful, permanent employment upon graduation.

As you begin to focus on the reauthorization of the various education titles, I would like to ask that you take a careful and serious look at the title VIII Cooperative Education Program and consider its enormous potential for America's college bound students.

Cooperative education is precisely the kind of educational program that is called for by the current Administration. It emphasizes self-help and the participation of the private sector in helping to educate our youth. In light of the tax dollars returned to the government through student earnings, Federal assistance in support of college and university cooperative education programs is an investment in a valu-

able asset rather than a drain of Federal funds. What other Federal education program can boast that it returns to the Government more dollars than it costs?

Mr. SIMON. Thank you very much.

Dr. Annette Phinazee, dean of the School of Library Science, North Carolina Central University.

STATEMENT OF ANNETTE PHINAZEE, DEAN, SCHOOL OF LIBRARY SCIENCE, NORTH CAROLINA CENTRAL UNIVERSITY

Ms. PHINAZEE. Thank you.

I am very pleased to come to this committee because we have had so much support from you. This is not the first time that we have had zero funding proposed for libraries, but we are very appreciative of the fact that Congress has ignored the executive budget in the past. We hope that you will do it once again.

I will briefly refer to HEA titles II-A, B, and C. I would appreciate having my full statement in the record.

Mr. SIMON. Your full statement will be entered in the record.

Ms. PHINAZEE. Title II-A funds may be considered by some to be too small to be worthwhile, but this is not true according to the librarians in the small colleges and universities who have received these grants.

One librarian in a prominent black private university described II-A grants as "a matter of survival." The librarian of my own public university said that II-A funds have played a significant role in the growth and strengthening of our holdings and provided the opportunity for us to keep up with changing trends in library service.

Title II-A regulations and funds provide two remedies: There is a maintenance of effort requirement which prevents administrators from cutting the institution's budget, and this is very important at this time when funds are so limited, and when there is the temptation to cut library funds.

Then the funds supplement the small funds that the libraries have.

Title II-B funds have made it possible to have a creditable number of minority librarians. Professional staffing in libraries is only 5.8 percent black, 4 percent Asian, 1.8 percent Hispanic and .2 percent Native American. We are especially concerned about this in North Carolina, where Native Americans are our second minority.

Title II-B fellowships are urgently needed to increase the number of minority librarians. Job opportunities have decreased, but I have received many more requests for librarians, particularly minority librarians, than I can fill.

I had only three title II-B fellowships, but of the three that I had, the students completed their work in August and were employed immediately.

There are also increased demands for library services. Employed citizens are requesting sophisticated computerized services which practicing librarians need to become more familiar with, while the unemployed require more personal services in order to adjust to leisure time or to become better educated in order to compete in the job market.

Several characteristics of librarianship make it difficult to recruit minority students. Sources of financial assistance, typical of other professions, are rare in library science, and salaries for librarians are comparatively low.

And I might add that we are fighting a battle for increased salaries because of these OPM standards at the moment.

Also, the scarcity of new faculty members in areas such as computer technology, information systems, telecommunications and service to special-user groups like the aged, would be exacerbated without title II-B doctoral fellowships.

The title II-B research program is the only Federal program of research in library and information science. Library science is in a state of flux. We are seeing a rapid convergence between library science and information and computer science. During this period of change, there is a demanding need for research.

Ten years ago, the II-B training program alone received $2.8 million. The current level for training and research together is $880,000. But even this small amount has made a significant difference.

Title II-B should be funded, however, at the authorized level of 1.2 million.

Title II-C, which provides for strengthening research library resources, may be viewed as one response to the unanimous appeal voiced at the White House Conference on Library and Information Services for access to information. Achievements under this program were summarized by a recent review and evaluation prepared for the Department of Education, which noted that II-C has given the Nation tens of thousands of unique titles acquired for scholarly investigation, thousands of fragile and irreplaceable volumes preserved for long-term use, and hundreds of thousands of bibliographic records linked through online data files, in a format which will enable individual research scholars to locate items not held at the local research library.

Funding for HEA II-C should be continued at the authorized level of $6 million.

In conclusion, I would like to call your attention to other library-related programs of concern.

Academic libraries are also affected by the proposal to eliminate funding for interlibrary cooperation under title III of the Library Service and Construction Act. The proposed elimination of the grant programs of the National Historical Publications and Records Commission cuts in other titles of the Higher Education Act.

The proposed reduction in postal revenue foregone subsidy, which would increase the fourth-class library rate by 55 percent. A 2-pound book package would go from 47 cents to 73 cents, and by budget cuts requested by the National Commission of Libraries and Information Science and the National Endowment for the Humanities.

In addition, since the tax reform measure of 1969, there has been no tax incentive for authors and artists to donate their own creative works, such as literary manuscripts to libraries and museums.

As a result, many manuscripts of great interest to scholars are not publicly available. Bills to correct this situation have once again been introduced in both the House and the Senate and we hope Congress will act favorably on them.

Thank you for this opportunity to testify for adequate financial support for all of these important programs which undergird the education and information needs of people from all walks of life.

[The prepared statement of Annette Phinazee follows:]

STATEMENT OF ANNETTE LEWIS PHINAZEE, DEAN, SCHOOL OF LIBRARY SCIENCE, NORTH CAROLINA CENTRAL UNIVERSITY DURHAM, N.C.

My name is Annette Lewis Phinazee. I am Dean of the School of Library Science at North Carolina Central University in Durham and I have been engaged in higher education for 41 years. I have served as President of the North Carolina Library Association, Chairperson of the Council of Deans and Directors of the Association of American Library Schools, Chairperson of the Standing Committee on Library Education of the American Library Association, and Treasurer of the Southeastern Library Association.

I will not spend your time explaining generally the value of libraries to American society, because the members of Congress have already demonstrated that they know this by authorizing and appropriating funds in spite of the zero funding proposed in the Administration's fiscal year 1983 budget. I do want to express appreciation for the Congressional support that librarians have received and urge you to continue to provide the funds that do make a significant difference in higher educational institutions. I will specifically refer to the Higher Education Act titles II-A, B, and C.

Title II-A funds for college library resources may be considered by some to be too small to be worthwhile, but this is not true according to the librarians in the small colleges and universities who have received these grants. One librarian in a prominent black private university described II-A grants as "a matter of survival." The Librarian of my public university said that title II-A funds have played a significant role in the growth and strengthening of our holdings and provided the opportunity for us to keep up with changing trends in library service.

During this period of economic stress, it is quite common for college presidents to think of reducing their expenses by cutting the budget for library materials. Meanwhile, the cost of materials has increased greatly for the past several years. And, adding to the problem, publishers have been keeping their inventories to a minimum so many titles are not available when libraries have had to postpone purchases. Title II-A regulations and funds provide two remedies: the maintenance-of-effort requirement prevents cutting the institution's budget and the funds supplement the small sums that libraries have.

This one Federal library program has assisted nealy all academic libraries in the country. It has made funds available for the purchase of college library resources since 1966. For most of the II-A grant recipients, hard times have already arrived, and the termination of this small but important basic grant would speed the downward spiral. For the last few years about ten percent of all eligible applicants are failing to meet the program's maintenance-of-effort requirement, indicating that institutional support for campus libraries is dwindling.

Over 75 percent of the awards go to private 2- and 4-year colleges and public 2-year institutions—schools that have been most hard hit by declining enrollments and persistent high inflation. A recent analysis of 4-year college libraries concluded that well over half of these libraries fail to meet the minimal standards for adequacy of library resources.

A small II-A grant makes a difference, not only in the year in which it is received, but cumulatively as the collection is developed. For the most part, library materials are not consumed with each use, but remain available for future users. Thus with each use they provide a return over and over again on the federal dollars.

Because libraries of all types share their resources for the benefit and convenience of all library users, the title II-A grants also make a cumulative difference in the total library resources available in any one state. For example, last year the states represented on this Subcommittee received the following total amounts for college library resources:

Fiscal year 1982—State	II–A grants	Total
California	165	$138,600
Colorado	29	26,040
Illinois	96	80,640
Kentucky	33	27,720
Michigan	69	57,960
Missouri	46	38,640
New York	189	158,760
North Carolina	90	75,600
Pennsylvania	127	106,680
Vermont	20	16,800
Virginia	63	52,920
Wisconsin	68	57,120

A II-A grant can allow a college library to add more shelves of books, maintain a collection on microfilm, or purchase the services of an online database so a small library can tap the resources of 20 or more computerized data files. For the last few years, grant recipients could also use the funds for networking activities through which many college and university libraries share their books and periodicals. This cooperation magnified the benefits of II-A grants. The initial ventures in resource sharing which these grants made possible must not be cut short.

HEA II-A has been and is effective. Its credibility has been established, but is now being questioned because of inadequate funding. It deserves better, and should be restored to the authorized level of $5,000,000.

Title II-B training funds have made it possible to have a creditable number of Black and other minority students in certain library schools. Professional staffing in libraries is only 5.8 percent black, 4 percent Asian, 1.8 percent Hispanic, and 0.2 percent Native American. Without II-B fellowship help, these percentages would be even lower. Title II-B fellowships are still urgently needed.

Job oppotunities have decreased, but I have received many more requests for librarians, particularly minority librarians, than I can fill. Last year my office received 755 notices of job opportunities. The three title II-B fellowship students who were enrolled in our school in 1981-82 completed their work in August and were employed immediately. There are also increased demands for library services. Employed citizens are requesting sophisticated computerized services, while the unemployed require more personal services in order to adjust to leisure time or to becoming better educated in order to compete in the job market.

Several characteristics of librarianship make it difficult to recruit minority students. Sources of financial assistance typical of other fields such as large-scale research projects or undergraduate labs or classes led by teaching assistants are rare in library science. A 1975 Bureau of Labor Statistics study made an observation which is still true: "Minority recruitment efforts by graduate library schools are made considerably more difficult by the relatively low pay level in librarianship, compared to other professions . . . which have comparable educational requirements." The scarcity of new faculty members in areas such as computer technology, information systems, telecommunications, and service to special user groups like the aging, would be exacerbated without II-B doctoral fellowships.

The title II-B research program is the only federal program of research in library and information science. Library science is in a state of flux—we are seeing a rapid convergence between library science and information and computer sciences. During this period of change, there is a demanding need for research in such areas as the library institutions effectiveness, how it can and should incorporate new technologies, what skills the new librarian should posses, et cetera. Work in the last 2 years concentrated on defining the current research and education needs; this momentum should not be lost.

Ten years ago the II-B training program alone received $2.8 million; the current level for training and research together is $880,000. Even this small amount has made a significant difference; however, II-B should be funded at the authorized level of $1.2 million.

Title II-C, which provides for strengthening research library resources, may be viewed as one response to the unanimous appeal voiced at the White House Conference on Library and Information Services for access to information. Strong research libraries are essential to our continued preeminence in basic research and scholarship. Eliminating HEA II-C funds for major research libraries would weaken their ability to provide the necessary materials to support research and scholarly inquiry.

In fiscal year 1982, 40 institutions were selected to carry out grant funded activities. In the first five years of the program, over three applications were received for every one that could be funded.

Title II-C has focused attention and funds on the problems of preserving research collections; the continued pervasive deterioration of materials because of time, pollution, wear, and improper storage can result in irreplaceable losses. The Council on Library Resources, in a recent report on book longevity, stated that we are "in danger of losing more than a century of the human record" because of the standard paper-making process which leaves an acid residue on paper. The February 16 issue of The Chronicle of Higher Education noted in an article on the report that over six million volumes in the Library of Congress are so brittle they may not survive further use. The New York Public Library estimates that over 80 percent of its World War I materials are in a state of advanced embrittlement, and over 50 percent of the World War II volumes are so brittle they cannot be rebound.

In addition to providing funds for preservation, II-C projects have helped to build a national database of American research library holdings. Developments in computer and communications technologies have enabled libraries to cooperate in ways not possible a decade ago. II-C funds have contributed to both the design of online systems and the creation of over one million library records, enabling libraries to share the cataloging records, and researchers to learn quickly the location of a needed item. All of these undertakings are beyond the resources of a library's normal operating budget. Typically, a university research library receives only three percent of the total institutional general operating expenditures; this small percentage may decrease as declining enrollments and inflation take their toll.

Over the last ten years, research libraries have lost much of their buying power—since 1970 the number of volumes added to our research library collections has dropped 23 percent, but overall expenditures increased 91 percent. Libraries are hard pressed to keep up with the needs of their users who demand that library collections be inclusive and current. The next generation of foreign policy makers will study and learn from the record of the Middle Eastern revolutionary movements now being collected at the University of Chicago with II-C funding; and future social scientists will rely on the automated resources of the gerontology collection at the University of Southern California. Two important cooperative projects in the South involve making the research collections of the three largest university libraries in North Carolina accessible on the computer and providing a serials database for a group of university libraries in Georgia, Kentucky, Tennessee, and Virginia.

Achievements under this program were summarized by a recent review and evaluation prepared for the Department of Education which noted that II-C "has given the nation tens of thousands of unique titles acquired for scholarly investigation, thousands of frigile and irreplaceable volumes preserved for long use, and hundreds of thousands of bibliographic records linked through online data files, in a format which will enable individual research scholars to locate items not held at the local research library." Funding for HEA II-C should be continued at the authorized level of $6 million.

In conclusion, I would like to call your attention to other library-related programs of concern.

Academic libraries are also affected by the proposal to eliminate funding for interlibrary cooperation under title III of the Library Services and Construction Act, the proposed elimination of the grant programs of the National Historical Publications and Records Commission, cuts in other titles of the Higher Education Act, the proposed reduction in postal revenue foregone subsidy which would increase the fourth-class library rate by 55 percent (a two-pound book package would go from 47¢ to 73¢), and by budget cuts requested for the National Commission on Libraries and Information Science and the National Endowment for the Humanities. In addition, since the tax reform measure of 1969, there has been no tax incentive for authors and artists to donate their own creative works, such as literary manuscripts, to libraries and museums. As a result, many manuscripts of great interest to scholars are not publicly available. Bills to correct this situation have once again been introduced in both the House and Senate (H.R. 1285 and S. 427), and we hope Congress will act favorably on them.

Thank you for this opportunity to testify for adequate financial support for all of these important programs which undergird the education and information needs of people from all walks of life.

Mr. SIMON. We thank you very, very much for your testimony. Let me ask you a question. Is it not true that because of cutbacks in student access generally that many universities are forced to

spend money on student assistance that might otherwise go into libraries? And when you cut back on books to a library, you walk past that library and it looks exactly the same, but there is a quality problem that is taking place on that campus. If we went ahead with this kind of a cut, it would just be on top of something that is already taking place on campuses.

Obviously this is a leading question, but I would be interested in your response.

Ms. PHINAZEE. Exactly. I have a little more about that in the full statement but this is quite true. Financial aid to students affects us tremendously and particularly at North Carolina Central, where we are enrollment driven, Our No. 1 priority is recruiting students and so we do tend to use as many resources as we can to do this.

It is so easy to say, let's cut the materials budget, and when we do this, it is difficult to make it up because so many times, the books are out of print, or if they are not out of print, they cost twice as much.

That is why we like having this Federal regulation that if you are going to get this money, you cannot cut back on the budget. But we are definitely affected by so many of the other cutbacks on our campus.

Mr. SIMON. And then if I may ask each of the others one question. If we cut back, what do you say, for every $1 million we cut back in each of your programs, does the Federal Government, over a period of 5 years, save money or do we not save money?

Mr. WOOLDRIDGE. In the case of cooperative education, I think part of my testimony was that you would lose money. I mean what the students are paying in income taxes and social security. Just say income taxes, never mind the social security, the Government receives far more than the Federal Government is giving, so that for every million that you cut back, I would have to run the calculations, you would have that many fewer students in cooperative education programs, never mind the financial aid to the student, which is very important, and that is part of the argument we were making earlier, but you would then lose actual Federal income dollars.

I think that is the part that I do not understand about the current administration's attitudes toward it. You would actually lose Federal income, at the same time, cutting back student aid for students, those students that are affected by it.

That is speaking from cooperative education's point of view.

Mr. SIMON. Yes.

Ms. PRUITT. Mr. Simon, I would agree. If we cut back in the G*POP program by that amount of money, we are reducing the number of persons who are prepared at the highest salary levels. So in the final analysis, the Federal Government is losing.

We are preparing income producers, not users.

Mr. SIMON. Mr. Lambert.

Mr. LAMBERT. Like the professor, I will give an on-the-one-hand-on-the-other-hand answer. It depends a little on whether the Federal Government feels that the diminution of these capacities would have to be made up somehow anyway.

One way to look at it is that the universities and the State governments are now carrying 90 percent of the cost of this. The Fed-

eral Government's portion pulled out of this would on the campuses mean an immense diminution of the capacity. The night of the long knives are upon us as university budgets are being cut. The temptation to cut a scarce language is immense, so I think my answer is that in the short run, there would be a diminution in the Federal budget.

If, on the other hand, these capacities to deal with the scarce languages and other countries would have to be reproduced within the Federal Government or someplace else so that the entire cost of them would have to be borne, the cost would be absolutely astronomical.

I see this as leverage money. I do not think that there is any doubt but that in the short run, you could save the budget, but you would find yourselves 5 years down the pike trying to recreate at great cost what now is supported through this program.

Mr. FARROW. Mr. Chairman.

Mr. SIMON. Yes.

Mr. FARROW. There is no question that we would lose money if this happens in that the upward bound program, as well as the special services program, these students are the first—I mean these are the graduates from high school—thereby becoming productive citizens and providing money for social security and income tax, et cetera. It surely would be a loss.

Mr. SIMON. Let me just ask the five of you if, we would appreciate your being willing to answer some written questions. We are in the mint and very shortly we are going to be putting some budget figures together and there are caucuses going on around right now on that. That is the reason that more members of the subcommittee are not here. I have an idea that members of the subcommittee probably will have some more questions.

If you do not mind answering those questions as promptly as possible by mail so that we can get them in the record, we would appreciate it.

We appreciate your testifying here today in areas that are not headline-producing areas, but they are areas that really speak to the qualify of life, and I think, Dr. Pruitt, you summarized philosophically where we stand. We face a question that is beyond a budget question. It is really what kind of a society we want to build. We appreciate your contribution to that dialog.

Thank you very, very much.

Also, I want to enter in the record at the conclusion of today's hearing, a joint statement on behalf of the Coalition of College and University Students, the National Organization of Black University and College Students, and the United States Student Association.

[The information follows:]

STATEMENT OF THE NATIONAL COALITION OF INDEPENDENT COLLEGE AND UNIVERSITY STUDENTS (COPUS), NATIONAL ORGANIZATION OF BLACK UNIVERSITY AND COLLEGE STUDENTS (NOBUCS), AND UNITED STATES STUDENT ASSOCIATION (USSA)

Mr. Chairman, and other distinguished members of the House Education and Labor, Subcommittee on Postsecondary Education. We appreciate this opportunity to present the student perspective on the President's fiscal year 1984 student assistance budget proposals.

This testimony is offered on behalf of the three major national student organizations, the National Coalition of Independent College and University Students

(COPUS), the National Organization of Black University and College Students (NOBUCS), and the United States Student Association (USSA), representing students at independent, public, and historically black institutions around the nation.

Mr. Chairman and members of the Postsecondary Subcommittee. President Reagan has proposed overall funding levels for student assistance that are comparable to current appropriations levels, but the proposals include a major restructuring of the student financial aid system. We, at COPUS, NOBUCS, and USSA, believe that there are some positive aspects and some negative aspects of the proposals. However, upon examination, this restructuring of the entire federal student aid system seems neither timely nor desirable. It is not timely because any such major programmatic changes should be made only after extensive public input and considerable Congressional deliveration. The fiscal year 1984 budget process is not the appropriate forum for such action; the appropriate forum is the reauthorization of the Higher Education Act of 1965, a process which is scheduled to begin later this year in which we hope to participate. The following explains why COPUS, NOBUCS, and USSA maintain that the proposed changes are undesirable.

There are three positive aspects of the Administration's proposals: first, an increase in the maximum Pell Grant from $1,800 to $3,000; second, an increase in Pell Grant funding from $2.419 billion to $2.713 billion; and third, an increase in College work-study funding from $540 million to $850 million. The increase in Pell Grant and CWS funding are needed to minimize the impact of prior student aid cuts and to provide some of the additional funds students need to meet the ever-escalating costs of a college education.

However, there are six negative aspects of the President's student aid proposals. First, the number of students receiving a Pell grant (the name would be changed to "Supplemental Self-Help grant) would be severely diminished. By the Administration's own estimates, there would be a loss of 400,000 Pell awards. Second, the proportion of educational costs expected to be borne by the already over-burdened student would increase to a minimum of 40 percent. This "Self-help" portion is expected to be generated through student's summer earnings, part-time jobs, College Work Study, and loans—both Guaranteed and National Direct Student Loans. This is at a time of record unemployment and underemployment compounded by current proposals for a youth sub-minimum wage, and major changes proposeed in both student loan programs. Third, Federal dollars for National Direct Student Loans, Supplemental Educational Opportunity Grants, and State Student Incentive Grants would be eliminated, resulting in both fewer dollars for students and less for each financial aid office in considering a student's aid package. Further, the new $3,000 Pell Grant maximum is less than the amount a student with demonstrated maximum need would receive under the current system of Pell, SEOG, and SSIG. Fourth, if additional Federal College Work-Study funds were available, there would not necessarily be: (1) Enough jobs on campus, and/or (2) enough institutional (20 percent) matching funds, and/or (3) enough hours each student can work to utilize the additional Federal money in their aid package. A student can work only so many hours and still be able to fulfill his/her responsibilities as a student. Fifth, if the Guarnteed Student Loan (GSL) program were entirely need-based, middle income students attenting moderate cost institutions could become ineligible for a GSL, and thereby unable to meet the required 40 percent self-help contribution. Also, the proposed increase in the graduate student loan origination fee from 5 percent to 10 percent would significantly increase student debt burden, while decreasing the relative "buying power" of a GSL at a time of skyrocketing tutition costs. Because of lower interest rates and reduced Federal loan volume in the GSL program this year, the program could cost up to $900 million less than had been expected. Therefore, further cuts in the GSL program are unwarrated; in fact the $900 million saved due to declining interest rates should be used to restore some of the previous cuts in student aid programs. Sixth, the TRIO programs (Special Services for Students from Disadvantaged Backgrounds) would be dramatically altered under the President's proposals to serve only those students attending predominately minority-enrollment institutions. Funding would be reduced by 77 percent from the fiscal year 1983 level of $154.7 million to $35 million. In addition, TRIO is targeted for a fiscal year 1983 recission of $29.6 million. This vital educational opportunity program currently serving over 493,000 economically and educationally disadvantaged students should not be cut or be restricted to students attending certain institutions. Not all disadvantaged students are minority students, and not all disadvantaged minority students attend majority-enrollment institutions. In fact, 7 out of 10 black and minority students attend predominately majority institutions. Under the guise of increased commitment to historically black institutions, this Administration's budget proposals provide no increase in funding for historically black colleges.

COPUS, NOBUCS, and USSA firmly believe that the Administration's proposal for Education Savings Accounts should in no way constitute an alternative to existing need-based and cost-sensitive student aid programs. Like Tutition Tax Credits, ESA's would be regressive, would probably cost the Federal Government more than they are worth, and would constantly raise the spector of yet another excuse to cut Federal student assistance programs. We might support ESA's as a savings incentive, but not as a form of college student assistance.

In addition to being concerned about direct student assistance, COPUS, NOBUCS, and USSA believe that the Reagan Administration's support for historically black colleges is illusory upon examination of the manner in which these funds are allocated. Out of the $231 million targeted for suppport of black colleges, $160 million is earmarked for Howard University. While not questioning Howard's appropriation of $160 million, we feel that the remaining $71 million to be shared by 114 other historically black colleges with total enrollments exceeding 250,000 is clearly a minimal "commitment" considering the important contribution of these institutions.

In conclusion, we, as students, are fundamemtally concerned that there be a continuing Federal commitment to education in general and to student assistance in particular. We are not encouraged by the President's education budget, which is entitled "Federal Education Activities" rather than the U.S. Department of Education, and which calls, once again, for the abolition of the Department. Federal student assistance was created because state and local governments were unable and/or unwilling to bear the burden of funding and administering student aid programs. We see no indication that, in these days of state budget-slashing, the states will take over the responsibility for student assistance.

We are co-sponsoring National Student Action and Lobby Day 1983 on Monday, March 7. Students from around the Nation will be coming to Washington to respond to the President's student aid budget proposals. We hope that you, and other Members of Congress will have an opportunity to listen to their views.

Mr. SIMON. At this time, the subcommittee is adjourned.

[Whereupon, at 10:40 a.m., the subcommittee was adjourned, to reconvene subject to the call of the Chair.]

BUDGET IMPACT, HIGHER EDUCATION, FISCAL YEAR 1984

THURSDAY, MARCH 10, 1983

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to call, at 9:05 a.m. in room 2261, Rayburn House Office Building, Hon. Paul Simon (chairman of the subcommittee) presiding.

Members present: Representatives Perkins, Simon, Owens, Packard, and Gunderson.

Staff present: John E. Dean, assistant minority counsel; and Maryln McAdam, majority legislative assistant.

Mr. SIMON. The subcommittee will resume its hearings on the proposed fiscal 1984 budget.

We are pleased to have the Secretary of Education here as our first witness.

Incidentally, I might add, this will not apply to the first witness, but after the first witness, and succeeding witnesses, we are going to have a 5-minute rule on presentations simply because we have a markup on a school lunch bill in the full committee and the subcommittee will have to join the full committee.

Mr. GUNDERSON. Mr. Chairman, is it your intention to adjourn during that markup?

Mr. SIMON. My hope is that we will see where we are and see how rapidly the full committee moves, but as soon as they start business, we will either have to be through or we will have to recess.

Mr. GUNDERSON. I have a number of amendments for the markup.

Mr. SIMON. All right.

Secretary BELL. I will have a very brief summary of my opening statement, so we will be less than 5 minutes.

Mr. SIMON. You are always brief, Mr. Secretary.

We are pleased to have you here once again, Mr. Secretary.

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STATEMENT OF HON. TERREL H. BELL, SECRETARY OF EDUCATION, ACCOMPANIED BY EDWARD ELMENDORF, ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION; RON KIMBERLING, DEPUTY ASSISTANT SECRETARY FOR INSTITUTIONAL SUPPORT AND INTERNATIONAL EDUCATION PROGRAMS; GARY BAUER, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION; BILL DINGLEDEIN, DEPUTY DIRECTOR, BUDGET SERVICE; AND JOHN HAINES, ACTING DIRECTOR, POSTSECONDARY ANALYSIS DIVISION

Secretary BELL. I was told once that in giving a speech, if you can't be profound, try to be witty, and if you can't be witty, at least have the grace to be brief.

Mr. Chairman, I am going to be all three this morning.

I am pleased to introduce my colleagues: Dr. Ed Elmendorf, who is our Assistant Secretary for Postsecondary Education. Ed had a very distinguished career as a college president before he joined us and we are proud to have him with us.

Dr. Ron Kimberling. He has a Ph. D. in English, so any of his material that comes up here, we have fun whenever we can find any grammaticals in his work.

Gary Bauer is our Deputy Under Secretary for Planning, Budget and Evaluation. Be careful what he says, because he is an attorney, Mr. Chairman.

Bill Dingledein, who works in Gary Bauer's office, has a good knowledge of these programs.

And then John Haines, Acting Director of the Division of Postsecondary Analysis.

I am pleased to give you an overview or summary, of our statement which we would like to submit for the record that goes into a great deal more detail.

I begin by indicating that our student aid budget is level funded. By level funded I would say that the amount of money minus the funds we were able to save because of the decrease in the interest rate in the guaranteed student loan program is the amount of money that we proposed in our budget for postsecondary education.

Our total budget for the Department of Education, is based on the budget allowance that we finally arrived at after considerable deliberations back and forth, with OMB. The allowance that the President settled on for us results in a budget for education that is about $850 million below the 1983 appropriation level.

It is larger than that, after you allow for the adjustment in the student loan savings. If we take the 1983 budget and compare it with our 1984 proposal, we are within $850 million of what Congress appropriated for the Department of Education for 1983.

I was faced with the challenge of where to allocate that $850 million in the budget formulation process. It wasn't a matter of setting a budget level and then getting into the program priorities. It was a bit of the reverse of that. We were back and forth with OMB. We had an original budget allowance and after extensive discussion, it was raised dramatically. I want to emphasize that the President was deeply involved in this. He was interested and concerned and insisted that we come to Congress with a Department of Education budget that didn't reflect the dramatic proposals for decreases that

we had a year ago. He was concerned about the fact that States are in dire straits and that institutions have difficult budget problems.

Because of all of that, we have in the student aid area a level funded budget. In some other postsecondary program areas, we had to find this $850 million decrease. We have thus made some cuts there and we will respond to any questions on them.

We were constantly concerned about the deficit. As we met and deliberated in the Cabinet meetings, our Chairman of the Council of Economic Advisers was there, along with our very distinguished Secretary of the Treasury, and others knowledgeable about the economy.

As we built the education budget, along with all other department budgets, there was an overshadowing concern and a worry that we might see a deficit as large as $250 billion. There was a concern that this might cause the economic recovery to misfire. So it was because of those pressures that we brought forward the budget that we have at the present time.

The priorities as to where we have allocated our funds are, of course, subject to debate. We would emphasize to you that we recognize that we propose and you dispose, and that you may find differences the priorities and how we have arranged and allocated our funds inside of the Department.

I emphasize that overriding everything has been this big concern about the deficit. In spite of this, I would emphasize that President Reagan wanted us to present a stronger budget than last year. We wanted to not have a debate over large cuts in student aid.

Because of that we have an approach and a philosophy that we would like, as earnestly as we can, to persuade you to look at. It changes, somewhat, the way that we qualify students for student financial aid. We think that the traditional role of the family and the student, should be first of all, up front, meeting as much of the cost of higher education as they can. This has been eroded a bit. That is why we have the emphasis that we have on the Pell self-help program.

At the present time, the first source of student aid is the Pell grant. That is a fine program and we think it has worked well. We would emphasize to you, Mr. Chairman, that you and your colleagues on this committee, we just express our appreciation to you for the good job you have done in helping to keep that Pell grant program there and to keep the funding up to where it is.

In our Pell self-help proposal, we have an increase this year over the previous year. We think the broadening of program eligibility and benefits have been so extensive that we don't have enough requirement on students and on their families to make their maximum contribution.

I would hasten to say that we would recognize that we can put so much pressure on the self-help contribution that we will discourage students from attending college. We can make it so difficult that they won't go on to school. Knowing that education is such a great investment that pays so much, we don't want to do that.

We would like to discuss with you whether or not our self-help requirements are too heavy. We emphasize that in our definition of the self-help contribution, we include work study and the loans that are available as a resource. When we say that we would like

to see a student come up with a minimum of 40 percent of the cost of education or $800 as a self-help requirement, prior to getting to the Pell grant, we include in that definition of self-help the heavily federally subsidized work-study and guaranteed loan program.

We think that before a student receives a Government grant, which is an outright gift, that the student ought to help himself as much as he can, to a reasonable extent I would hope that the debate here could focus on whether or not we have established a reasonable requirement in that regard.

We think that the Federal Government has begun to supplant the traditional role of the student and the family in the financing of educational costs. We think that all students, regardless of family incomes, ought to be expected to make a financial contribution toward their education, and the big question is how much that should be.

Some of our critics in the higher education community, Mr. Chairman, have expressed concern about this. I think they have lost sight of the fact that our campus-based needs analysis presumes right now that a student saves out of summer earnings, about $700. So when we ask for a self-help contribution of $800, or 40 percent, whichever would be the larger out of the two, we should look at the numbers and at the availability of loans and work-study in meeting that self-help requirement.

I would emphasize, and the chairman knows this better than I do, that the 1980 Higher Education Amendments dropped previous self-help provisions and we think we need to restore this concept. The big item in our proposal relates to this. We think we are right in our desire to try to persuade you to support our proposal to have some self-help requirements before a student moves to the Pell grant.

The grant itself has in some institutions been covering the entire cost of education. We think that we ought to adjust how we handle student aid so as to encourage more student participation in meeting this cost.

Data covering first-time, full-time freshmen in academic year 1981–82, suggest that 28 percent of the students at 2- and 4-year public institutions have their education financed with no contribution from their parents, and over 59 percent provide no self-help contribution from their savings from summer work. We very earnestly think that there ought to be a change there. That is why we put in as a qualification for the various student aid programs, some requirement for self-help.

I would emphasize that when the rates were reduced in the Middle Income Assistance Act of 1978, the Government, in effect, announced to families that it would take over a large piece of the responsibility for financing higher education. What we ought to be doing is helping families to help themselves. For those who can't afford it, then, of course, we want to come in with more Government aid, but we would like to keep the emphasis upon the family and student to carry out the responsibility whenever possible.

So that, Mr. Chairman, is our primary pitch, if I can use that term before the committee. There are some other proposals in our budget that you may want to ask us about. I have just concentrated

my opening statements here on the self-help concept because the administration feels so keenly about it.

I will just conclude and submit my entire statement for the record.

Mr. SIMON. Your full statement will be entered in the record.

[Prepared statement of Hon. Terrel H. Bell follows:]

PREPARED STATEMENT OF HON. TERREL H. BELL, SECRETARY OF EDUCATION

Mr. Chairman and Members of the Committee, we appreciate this opportunity to appear before you to discuss the budget request for the Department's postsecondary education programs.

OVERVIEW

Our overall request for these programs is $5.8 billion, or 44 percent, of the Department's proposed budget of $13.2 billion. This is about the same percentage as that allocated to elementary and secondary education. The 1984 budget is based on a new philosophy of student assistance. It contains a number of initiatives and reforms which implement this philosophy and which directly affect our request.

Our request has been developed with a sensitive ear to the concerns which we have heard during our testimony before this Committee and during our frequent meetings with representatives of the higher education community over the past two years. This year's budget request reflects our proposed changes in the philosphy of student assistance and our assessment of the realistic budget requirements of those programs for which we believe there is an appropriate Federal role. We hope our discussions with you this year will focus on our philosophy and a careful examination of that role. To facilitate such discussions, our legislation is being transmitted to you early in the session to provide the Committee with adequate time to consider our proposed changes.

The principal student aid programs—as you are well aware, Mr. Chairman—have made major contributions to improving access to postsecondary education for millions of Americans. We want to preserve that objective for those who are truly needy, but we also want to stop the erosion of the traditional roles of the family and the student in meeting the costs of postsecondary education.

As I have indicated in my previous appearances before you, in recent years we have witnessed a consistent broadening of program eligibility and benefits so that these programs no longer serve only the truly needy. At the same time, the costs of these programs to the American taxpayer have risen dramatically—from $1.2 billion in 1973 to over $6.6 billion in appropriations in 1982.

These programs were not intended, as initially formulated, to supplant the traditional roles of the student and the family in the financing of educational costs. All students regardless of family income were expected to make a financial contribution to their education. And all families, save those with severely limited financial means, were expected to help. Mr. Chairman, I believe these roles have been substantially eroded due to the growth and liberalization of these programs.

The current need analysis system used by most colleges and universities in the distribution of Federal "campus-based" and other student aid normally presumes savings from student summer earnings of $700 for freshmen and sophomores and $900 for other students. Under the Education Amendments of 1980, there was to be no such minimum self-help presumption for any of the Federal student aid programs. There is none under the current Pell Grant program.

Moreover, evidence is accumulating that many federally-aided students have to neither work nor borrow to attend postsecondary education institutions—family contributions and grant aid cover their entire cost of attendance. Data covering first-time, full-time freshmen in academic year 1981-1982 suggest that about 28 percent of students at two-year and four-year public institutions have their education financed with no contribution from their parents and that over 59 percent provide no self-help contribution.

With respect to families, Mr. Chairman, a similar situation exists. The amounts families were expected to contribute toward educational costs in the original Basic Grant program were 20 percent on the first $5,000 of discretionary income (i.e., income not needed for basic living expenses) and 30 percent on the remainder. When these rates were reduced to an even 10.5 percent under the Middle Income Student Assistance Act of 1978, the Federal Government in effect announced to families that it would take over a large piece of that responsibility. I do not believe

that this was the right signal to be giving. Under our 1984 policy, the assessment rate for determining families' expected contributions will be increased to 18 percent on the first $5,000 of discretionary income, and 20 and 25 percent respectively on the next two $5,000 increments.

There is some recent evidence that an additional dollar of grant aid does not proportionately ease the financial burden the student must bear. Instead, it reduces the amount that parents contribute; two studies funded by the Department show this substitution of Federal aid for parental support.

The Federal Government has historically played a significant role in postsecondary education financing. We want to continue to play a major role, but we need to re-examine the trends of recent years, where they are leading us, and whether we want to—or can afford to—drift to a situation in which the Federal Government, rather than the family, is the primary source of financing college costs.

We believe we need to re-examine the Federal-family-student partnership—and the roles of other institutions—colleges, and universities, States and the private sector.

Mr. Chairman, this Administration believes that the traditional roles of the student and the family in the financing of postsecondary education are very important and are in need of reaffirmation. That is why our proposals to revise the student financial aid programs reflect a new philosophy of student assistance which will emphasize student self-help through loans and work. To implement this policy: (1) the Pell Grant program will be restructured to incorporate a student contribution expectation and to make awards more sensitive to educational costs while appropriations are increased from $2.4 to $2.7 billion; (2) Work Study appropriations will be increased by 60 percent in 1984, with no required increase in the level of institutional contributions, providing about 270,000 new student jobs; and (3) a new tax incentive program will encourage parents to plan and save for meeting the college costs of their dependent children. In addition, we expect Guaranteed Student Loan (GSL) borrowing to total $7.2 billion in 1984—a $1.3 billion or 22 percent increase over 1982 volume. And we expect that about a half billion dollars in National Direct Student Loan repayments will be available in institutional revolving funds without new Federal capital appropriations. No funds are requested for the Supplemental Educational Opportunity or State Student Incentive Grant programs. The reformed and enlarged Pell Self-Help Grant program will serve the same general purpose as these programs, but on a more equitable basis.

In the Guaranteed Student Loan program, we are proposing: (1) the extension of need analysis to all family income levels, (2) an origination fee increase for graduate and professional students, and (3) the recall of unneeded Federal advances to guarantee agencies. These changes are needed in order to discourage unnecessary borrowing, encourage reasonable family contributions, and help reduce the still huge long-term Federal subsidy costs in this program.

In addition to our efforts in the student financial assistance and GSL programs, our budget will continue to provide support for many of current goals and programs in the higher and continuing education area. One of our highest priorities will to be to provide developmental and other program support for postsecondary institutions which enroll large numbers of financially disadvantaged students, including historically black colleges. The 1984 budget request for the four institutional aid programs serving these schools emphasizes the Administration's commitment to institutional programs serving disadvantaged students. We are requesting a 1983 supplemental of $5 million for the Title III Institutional Aid programs. Historically black colleges and universities will receive a minimum of $45.7 million in 1984 under this program—an increase of $3.7 million over 1983. We are also proposing legislation which will involve the targeting of funds under Special Services for Disadvantaged Students to support institutions serving large numbers of financially disadvantaged students. This program will be further amended to allow funds to be used for some of the outreach activities now provided under Upward Bound and Talent Search—which are proposed for repeal. This consolidation of "TRIO" program authorities and funds will result in more efficient and need-targeted use of limited resources. Our appropriation request for Title III and Special Services for Disadvantaged Students, when added to the minority Institution Science Improvement program and support for Howard University, will total almost $334 million in direct aid for programs serving disadvantaged and minority college students, including about $250 million for black colleges.

I will now discuss in detail our proposals and their expected effects in the three major postsecondary education program areas. Let me begin with the student financial assistance programs.

STUDENT FINANCIAL ASSISTANCE PROGRAMS

Our budget request for fiscal year 1984 is $3,567,800,000—the same amount that is available for fiscal year 1983. This request, in conjunction with the GSL request, will generate approximately $11,386,000,000 in aid for students, an increase of $628 million over fiscal year 1983. As previously mentioned, we are proposing a major philosophical reorientation of the Federal student assistance programs designed to help restore the traditional roles of the family and the student as the parties primarily responsible for meeting college costs.

Pell self-help grants

The focal point of our proposal is the Pell Self-Help Grant restructuring—a Federal grant which will first require a financial contribution from the student for his/her educational costs. Let me elaborate further on our student self-help proposal. While the concept is not complex, it has led to some confusion as to how it will be implemented and whose awards it will affect. In the first place, our intent is simply that the self-help component be a reasonable expectation of student contribution from work or savings. Although we would expect that most students can meet this amount with summer and part-time current earnings, we would not prescribe exactly how this expectation must be met by the individual. The Work Studey program and the Federal student loan programs could, of course, be used.

Our self-help proposal is designed to ensure that no student, rich or poor, dependent or independent, attending a low-cost or a high-cost institution, receiving Federal need-based financial aid, will escape nominal financial responsibility for meeting a reasonable minimum amount of his/her educational costs. This is not an onerous proposal for students. At the same time college costs are rising, so are the earning capacities of students. We estimate that by the 1984-85 academic year a student working 15 hours per week during the school year and saving $800 from summer earnings would have about $2,420 per year to help defray college costs. Our self-help expectation will generally be much less. Our proposed $800 minimum self-help expectation is, in fact, similar to the $700 or $900 "summer savings" expected under the Uniform Methodology—the system used by most colleges and universities in awarding Federal "campus-based" aid and institutional aid. Because of the structure of the Pell Grant program, we are proposing to impose the Pell self-help expectation differently than under the latter system. If we were to impose it, as that system does, by adding it to the expected contribution from parents, it would affect only the awards of those students whose Pell Grants are determined by the maximum-award-minus-expected-family-contribution-rule—only students attending higher cost schools. Our proposed Pell Grant treatment of student self-help is more logical and equitable than such an approach for two major reasons: (1) it would apply both expected student and family contributions "across the board" to all applicants—including those attending low-cost schools, and (2) it would allow the expected student contribution to vary with educational costs. Students attending low-cost schools should be expected to contribute something; those who wish to attend higher cost schools should be expected to provide more from their own efforts.

In addition to building explicitly upon expected student contributions, the proposed Pell Self-Help Grant will be based upon increased expected contributions from middle income families. It will also be more sensitive to educational costs, less prone to award errors, more equitable across States and types of institutions, and more fairly and consistently distributed among students than the current grant programs.

The Pell Self-Help Grant offers the following advantages:

The proposed maximum award of $3,000 will be more cost-sensitive than the current program. It will help needy students attend schools with higher costs while maintaining adequate aid to low-income students attending low-cost schools.

The family's expected contribution will be taken into account in all situations for the first time. Under the current program, individuals with substantially different family financial resources often receive the same amount of Pell Grant assistance.

Students will be expected to contribute financially to their own educational costs under the restructured program. It will be presumed that the student will meet the first 40 percent of his/her educational costs, or at least $800. (It is now possible for a student to finance his or her postsecondary education entirely with Federal grants and no personal financial commitment at all.)

The establishment of one grant program with one set of award rules will provide consistency in Federal grant amounts for students in similar family financial and educational-cost situations. The current combination of programs with their varying award calculations, allocation formulas, and institutional policies often result in substantial differences in student treatment.

The use of only five data elements to determine family financial strength, as opposed to the 22 elements used at present in the Pell Grant program, will simplify the program, reduce waste and abuse, and improve equity in the distribution of awards.

The restructured Pell Self-Help Grant program is proposed for full funding at $2,713,800,000 with a maximum grant of $3,000. This funding will provide nearly 2.1 million students with grants averaging approximately $1,300. I would like to emphasize that both our appropriation request and the $3,000 maximum grant we are suggesting must be considered in concert with the self-help and other equity enhancing reform proposals I have discussed.

Work-study

Consistent with our overall emphasis on self-help, we are requesting an increase of $310,000,000 for the Work-Study program, which would raise funding to $850,000,000 for fiscal year 1984. The expanded Work-Study program will afford over 1 million students the opportunity to work in order to meet the new self-help expectation. This represents an increase of 270,000 jobs over fiscal year 1983. Average earnings will increase to about $800, thus providing one resource for meeting the proposed minimum self-help expectation for substantial numbers of grant recipients.

As part of this proposal, we are requesting legislation to remove the required institutional match for the $310 million increase in Work-Study funds. Thus, at a time of financial difficulty for many schools, institutions will not be burdened with a mandatory increase in their Work-Study matching funds over their fiscal year 1983 contribution level in order to participate in the expanded program. (Schools would be free to provide full matching funds, and thus improve the student support impact, if they so choose.)

Direct loans

No new Federal capital is requested for the National Direct Student Loan (NDSL) program for fiscal year 1984. Outstanding NDSL loan volume now totals some $4.7 billion—reflecting over 20 years of Federal appropriations. Using only repayments to institutional revolving funds on outstanding loans, approximately $550,400,000 will be available for new loans in academic year 1984-85. We estimate that this funding will provide 688,000 students with average loans of $800—an amount sufficient to meet the minimum self-help expectation. In addition, we are proposing that Federal concellation payments to institutions be based only on the original institutional investment, as in the original National Defense Loan program. (Schools would not have to reinvest these payments in the NDSL program as now required.) Also, we are proposing that the borrower's interest rate on new loans be the same as that on loans made under the regular GSL program—probably 8 percent (depending on 91-day Treasury bill rates). This will result in consistent borrower interest charges for the two major, similarly need-tested, Federal student loan programs. And it will result in increased repayments from which new NDSL loans can be made.

Supplemental grants

No funding is requested for the Supplemental Educational Opportunity Grant (SEOG) program for fiscal year 1984. The Pell Self-Help Grant program will accomplish the primary purpose of the SEOG program—that of expanding institutional choice for needy students. It will also provide a more equitable distribution of awards among needy students, and it will benefit recipients at a larger number of institutions. The SEOG authority will be retained and will continue to allow the optional use of up to ten percent of an institution's Work-Study funds for Supplemental Grants.

State student incentive grants

Our budget request calls for repeal of the State Student Incentive Grant program. The goal of the program—that of stimulating all States to provide need-based grants to postsecondary students—has been accomplished. All States now have programs, and in fact most States considerably overmatch the Federal contribution, suggesting considerable State level commitment regardless of Federal expenditures. Of 41 States which overmatch Federal funds, 23 provide at least 68 percent more need-based grant aid than is required to match Federal funds. While more than $1 billion in State grant aid is being made available in fiscal year 1983, the Federal SSIG contribution is only $60 million of that total. State expenditures have continued to expand even as Federal funding has dropped or remained level. State spending for

grants to needy students increased by almost ten percent for academic year 1982-83—as the Federal contribution to SSIG declined by 4 percent. The stimulant of Federal funds is clearly no longer necessary.

GUARANTEED STUDENT LOAN (GSL) PROGRAM

The Guaranteed Student Loan (GSL) program, established by the Higher Education Act of 1965, has long been an integral part of Federal student financial assistance. As you know, it was designed principally to tap private capital markets and to provide a substitute for student collateral in the form of a Federal guarantee.

We are requesting $2,047,100,000 for GSL program activities in 1984 and proposing a rescission of $900 million from the appropriation of $3.101 billion provided under the 1983 Continuing Resolution. Our rescission estimate is based on more recent, lower projections of Treasury bill rates and outstanding loan volume in 1983 than those used by the Congressional Budget Office last year in developing the cost estimate used for the Continuing Resolution. The rescission will not affect program activity, but will merely rescind funds determined to be unneeded under our cost projection.

Our budget requests for 1983 and 1984 represent a significant decrease—almost one billion dollars—in program costs compared with the 1982 appropriation of $3.074 billion. The reduced costs can be attributed in large part to the success of the President's economic program in lowering interest rates and consequently reducing the major GSL subsidy cost—the special allowance paid to lenders—which is directly tied to the 91-day Treasury bill rate.

While the GSL program has served participants well, various liberalization, especially those associated with the Middle Income Student Assistance Act, have driven the program away from its original purpose, and have driven up program costs.

We believe enactment of our proposed statutory changes to the GSL program will help to reduce Federal costs (both immediate and long-term) while discouraging unnecessary borrowing and encouraging the reasonable use of savings and other family resources for education purposes. These changes include:

(1) Extention of the need analysis requirement to all family income levels. "Across-the-board" need analysis is a logical extension of current law under which students with adjusted family incomes over $30,000 are required to undergo need analysis to determine eligibility. It will reduce unnecessary borrowing, unnecessary subsidy costs, and unnecessary Federal credit intrusion into the economy.

(2) The increase of the regular loan origination fee from 5 to 10 percent for graduate and professional students only. While these students will continue to be served under the regular GSL program, this proposal acknowledges that they generally enjoy higher incomes during loan repayment (largely due to the advanced training purchased with their highly subsidized loans) and thus can afford to meet a larger portion of the interest costs on their loans.

(3) The return of loan advances which are not needed by guarantee agencies. This amendment would extend an existing need criteria to all guarantee agency advances. Currently, large zero-interest, indefinite maturity Federal loans are retained by guarantee agencies which are 100 percent reinsured and thus have little or no need for these funds. Under our proposal, the agencies will no longer have even a remote need to retain the interest-free Federal loan advance in their reserves because the proposed legislation will require 100 percent reinsurance, with immediate Federal reimbursement, for all agencies.

These changes are proposed to take effect July 1, 1983 and will require budget authority for 1984 of $2.047 billion. This will produce savings of $122 million when compared with our current law estimate of $2.169 billion. Loan volume in 1984 under our proposal is expected to reach $7.198 billion ($6.420 billion in regular loans and $778 million in auxiliary loans), compared with current law projections of $7.263 billion ($6.551 billion in regular loans and $712 million in auxiliary loans). The number of recipients is expected to total about 2.9 million under both our 1984 policy and under current law, although there is expected to be a slight shift of recipients from regular loans to auxiliary loans under our proposal compared with current law.

Mr. Chairman, I have outlined two of the principal problems we perceive in our major student aid programs: an expansion of benefits beyond the truly needy, and an erosion of the traditional roles of the student and the family in financing postsecondary education. The proposals I have described for the Pell Self-help Grant program, the Work Study program and the GSL program constitute a balanced package designed to deal with these problems in a manner that preserves Federal benefits for the truly needy and treats all parties involved as equitably as possible.

I would now like to discuss our fiscal year 1984 budget request for programs under the Higher and Continuing Education appropriation account.

HIGHER AND CONTINUING EDUCATION PROGRAMS

The 1984 request for Higher and Continuing Education programs totals $204.7 million, $128.8 million less than the revised request for 1983. For fiscal year 1983, we are requesting a supplemental appropriation of $4.8 million for the Title III Institutional Aid programs and rescissions totaling $68.9 million.

Institutional aid programs

The Institutional aid programs authorized under Title III of the Higher Education Act are designed to foster improvements in the academic offerings, management and fiscal operations, and student services of institutions that serve a large percentage of minority and low-income students, including the Nation's historically black colleges and universities.

In fiscal year 1984, we are requesting $134.4 million for these programs. This is the same level as provided by the revised 1983 request, which includes a supplemental request for $4.8 million. In fiscal year 1984, a minimum of $45.7 million would be allocated to historically black colleges and universities.

Minority institutions science improvement

The Minority Institutions Science Improvement Program also plays an important role in serving the needs of students enrolled in institutions of higher education which are predominantly minority. Currently, Blacks, Hispanics, and Native Americans receive less than 10 percent of all bachelor's degrees in mathematics, the natural sciences, and engineering. This program enables participating institutions—which must be more than 50 percent minority—to strengthen their science and engineering education programs and thus to increase the pool of minority students qualified to pursue careers in science and engineering.

Special programs for the disadvantaged

Federal support for various student support services will be focused toward institutions which serve large numbers of students from financially disadvantaged backgrounds. To accomplish this, we are proposing several changes in the Special Programs for the Disadvantaged. The Special Service authority will be expanded to permit grantees to carry out some of the out-reach activities currently provided under the Talent Search and Upward Bound programs (which are proposed for repeal) using our request of $33 million in 1984. In order to ensure that those in greatest need of assistance will continue to be served by these programs, new criteria will narrow eligibility to institutions serving large numbers of financially disadvantaged students. We are proposing the 1984 repeal of the Upward Bound, Talent Search, Educational Opportunity Centers, and Staff Training authorities in order to achieve administrative efficiencies and to make the most effective use of limited Federal resources.

A 1983 rescission of $29.6 million is requested which will eliminate funding for the Talent Search, Educational Opportunity Centers and Staff Training programs and reduce funding for Upward Bound from $68.2 to $64.5 million.

Fund for the improvement of postsecondary education

To aid institutions of higher education in finding solutions to the problems which confront them, we are requesting $6 million for the Fund for the Improvement of Postsecondary Education (FIPSE). Funding for this program will be targeted to projects that release to: (1) telecommunications and technology and (2) community colleges. Beginning in fiscal year 1984, we propose requiring that institutions which receive grants under this program share a portion of the project costs. This approach will acknowledge institutional benefits associated with FIPSE projects. It will also permit the Fund to support in 1984 approximately the same number of grants that were supported in fiscal year 1982. We are proposing a rescission of $5.7 million for fiscal year 1983, which will leave $6 million available for awards.

Other higher and continuing education programs

No funds are requested for thirteen previously supported programs. Several reasons underlie these budget policy decisions. Federal support is no longer necessary for four of the programs because they have successfully attained their objective and/or outlived their intended purposes. Programs in this category include the Veterans' Cost-of-Instruction Program and Public Service Fellowships. The Veterans'

Cost-of-Instruction program was designed to provide services to Vietnam-era veterans. Currently, fewer than 133,000 of these veterans are enrolled at participating institutions. These institutions will be able to meet the needs of such individuals without further Federal support.

Public Service Fellowships are no longer needed inasmuch as many persons are currently training for public service at the graduate level without federal support even though the demand for persons with such training has been decline at all levels of government.

Funds for establishment of the General Daniel James Memorial Aerospace Science and Health Education Center at Tuskegee Institute and the Wayne Morse Chair of Law and Politics were authorized as one-time appropriations and will remain available until expended.

For seven other programs, further Federal funding is not longer necessary since support can be obtained from non-Federal sources or from other Federal agencies. These programs include: the International Education and Foreign Language Studies programs—both Domestic and Overseas, Fellowships for Graduate and Professional Studies, Cooperative Education, Law School Clinical Experience Legal Training for the Disadvantaged, the Carl Albert Congressional Research and Studies Center, and the Robert Taft Institute of Government. In most cases, Federal funding has achieved its objective of successfully demonstrating these programs' approaches. Sufficient funds should be available of the funds appropriated for these programs is requested in fiscal year 1983. For fiscal year 1984, we are requesting legislation to repeal the Aid to Land-Grant Colleges program—an entitlement program which aids some of our nation's financially strongest unversities.

OTHER POSTSECONDARY PROGRAMS

Finally, $46.05 million is requested for the remaining post secondary education programs, which include: interest Subsidy Grants, Education and Research Overseas, Higher Education Facilities Loan and Insurance and College Housing Loans.

I would be happy to respond to any questions the Committee may have.

Secretary BELL. I would conclude there, Mr. Chairman, and hope we can enjoy a good dialog with the committee.

I would also mention that you wrote me a letter and asked for us to respond to some questions. I would like to submit them for the record, if I may. They were very fine and insightful questions, and we have worked hard on our responses. If we convince you to support our answers, we will be coming a long way in the direction that we would like to go.

Mr. SIMON. Those questions and answers will also be included in the record.

[The material referred to in the text follows:]

Question: What is the impact of the proposed budget on specific groups of students--students attending median or low cost schools from families with incomes between $15,000-$20,000; students from families under $10,000; students from families over $20,000 attending high cost institutions; and the income level at which students would no longer be eligible?

Answer:
- Students from families with incomes between $15,000-$20,000 attending low cost schools is the only group which will be negatively affected in any significant way by the self-help proposal in comparison to current law (note Table). They will receive smaller awards at lower cost schools but will qualify for higher awards at medium and higher cost schools since awards will be more reflective of expected family contribution and will also be more sensitive to increased costs.
- Students from families under $10,000 will gain substantially under the 1984 proposal. They will receive higher awards in almost every situation, except at that rare school where the total cost of education--tuition, fees, books and living allowance--is less than $1,600.
- Students from families over $20,000 attending higher cost schools will also gain from the 1984 budget proposal. While those students will not receive awards at low cost schools, as could occur under current law, they will qualify for awards at higher cost schools.
- Although individual circumstances could affect the eligibility of students of different families, an income above $27,000 would generally disqualify a student from a Self-Help grant.

The following table summarizes the impact of the Self-Help proposal on students with differing financial resources at different cost schools.

Grants at Different Cost Schools:
Low Cost - Medium Cost - High Cost

	Pell Grant Current Law			Pell Self-Help Grant 1984 Budget Request		
	Educational Costs			Educational Costs		
Family Income	2,500	4,400	7,500	2,500	4,400	7,500
$10,000	1,250	1,800	1,800	1,500	2,300	3,000
$12,000	1,250	1,600	1,600	1,175	1,975	2,675
$15,000	1,250	1,340	1,340	750	1,550	2,250
$20,000	820	820	820	0	740	1,440
$25,000	200	200	200	0	0	550

Question: Can you provide statistical data on the reliance of minority students--especially students at the historically black colleges--on student financial assistance and the impact of the changes in student aid programs in FY 1982 and FY 1983 on those students?

Answer: Our records indicate that students at historically black colleges represent approximately 1.8 percent of the enrollment in institutions of higher education but receive over 5 percent of the Pell Grant funds and 7 percent of the campus-based appropriations. This has been consistent for both 1981 and 1982 and is expected to continue in 1983.

On the basis of these records, we estimate that over $201 million in 1982-83 has aided approximately 200,000 students enrolled at historically black institutions. This averages to $1,015 in aid for each student. This estimate does not include Guaranteed Student Loans.

Under the Administration's proposed budget request, aid to students attending the historically black institutions is expected to increase as illustrated in the table below.

Student Aid Funds to Historically Black Institutions
($ in millions)

	Academic Year		
	1982-83	1984-85	Change
Pell/Self-help	$130.0*	$170	+$40
Supplemental Grants	29.7	0	- 29.7
Work Study	39.3	63	+ 23.7
Direct Loans	2.5	0	- 2.5
	$201.5	$233	+$31.5

* Estimate based on year-to-date data.

Since information on race, sex or creed is not (and cannot be) collected on application forms, we do not have data broken out on aid to minority students at all institutions. However, the data on historically black institutions partially addresses the question since those institutions primarily serve minority students.

Question: What is the impact of FY 1984 recommendations on minority students--especially those attending low-cost institutions?

Answer: Under the Pell/Self-help Grants programs, it is estimated that the percentage of funds going to minorities would substantially increase above the 1983 level. The percentage of Pell Grant funds going to students from families with incomes less than $12,000 would increase from 74 to 82 percent. This represents an increase of almost half a billion ($435,420,000). Since over 30 percent of black families have incomes below the poverty level (compared to 8.8 percent of white families), a major proportion of this increase would be realized by black families.

- Pell Grant awards to students from families of $10,000 income and less (those with zero expected family contribution) at most low cost schools would increase when compared with current law. For example, the award to a student attending a community college with education costs of $2,000 would increase from $1,000 to $1,200. (This is due to the proposed change in award rules.) This effect on low income students attending public community colleges is especially significant since some 55 percent of Blacks and 75 percent of Hispanic postsecondary students attend such schools.

- The State Student Incentive Grant program, which is not proposed for funding, represents less than 7 percent of State spending on need-based postsecondary student grants.

- Increased funding for Work-Study will benefit additional students. Since it is estimated that over 7 percent of the funds will benefit historically black institutions, which represent but 1.8 percent of higher education enrollment, it appears that minority students will benefit from the increased funding in excess of their proportion of total enrollment.

The table displayed in answer to the previous question illustrates more specifically the increased aid for historically black institutions under the President's 1984 budget proposal.

Question: Please provide a comparison of the total number of awards available and the current financial aid programs and the number of awards under the proposals.

Answer: The following table displays the number of awards for both the current and proposed years.

Comparison of Student Awards

STUDENT AWARDS:	1982-1983	1983-1984	Difference from previous year	Proposed 1984-1985	Difference from previous year
Pell/Self-help	2,550,000	2,500,000	- 50,000	2,100,000	- 400,000
Work study	820,000	810,000	- 10,000	1,080,000	+ 270,000
Guaranteed loans	2,621,000	2,704,000	+ 83,000	2,748,000	+ 44,000
Direct loans	826,000	883,000	+ 57,000	688,000	- 195,000
Supplemental grants	545,000	545,000	---	---	- 545,000
State Incentive grants	295,000	240,000	- 55,000	---	- 240,000
TOTAL	7,657,000	7,682,000	+ 25,000	6,616,000	-1,066,000

It should be pointed out that the number of awards do not represent the number of students aided since many students receive more than one award in their student aid package. It is not unusual for a student to have a Pell Grant, a Supplemental Grant, a Work-Study award and a loan. An estimate of the unduplicated count--or number of students aided--is as follows:

	1982-1983	1983-1984	Difference from previous year	1984-1985	Difference from previous year
Number of Recipients*	4,700,430	4,715,777	+15,347	4,390,179	-325,598

*Factor used for six programs was 1.429, for four programs 1.567. Factor derived from CIRP data (first-time full-time Freshmen).

The reduction in recipients results from the following factors.

(1) Many students from middle-income families able to contribute to educational costs will no longer qualify for awards at the lowest cost schools.

(2) Students from families at the upper-income margin of the program, who qualified for assistance under the 11/13/18 percent assessment rates on discretionary income, will lose eligibility with the increase to 18/20/25 percent rates.

(3) The pool of potentially eligible students will decline with the anticipated reduction in overall postsecondary enrollment.

Under the 1984 budget proposal, Federally supported financial aid per unduplicated recipient will increase from $2,130 in the current academic year to $2,593 in academic year 1984-85--an increase of 21%.

Selected Aid Averages by Academic Year

	Academic Year		
	1982-83	Proposed 1984-85	% Change
o Federal aid per unduplicated recipient	$2,130	$2,593	+21
o Federal aid per enrollee	793	921	+16
o Federal aid per FTE	1,086	1,288	+18.6
o Federal Grant Aid per Unduplicated Recipient	621	618	---
o Federal Grant Aid per Enrollee	231	219	- 3.5
o Grant Aid per FTE	317	307	- 3.2

Question: What is the amount of College Work Study money that is carried over from year to year, transferred to the Supplemental Educational Opportunity Grant (SEOG) program, or returned to the Federal Government for academic year 1981-82?

Answer: Preliminary data for the 1981-82 award year shows the following activity under the Work-Study program:

Use of Carryover Authority
1981-82

1982-83 Funds Carried Back and Spent in 1981-82	$ 3 million
1980-81 Funds Carried Forward and Spent in 1981-82	$11 million
1981-82 Funds Carried Forward to be Spent in 1982-83	$21 million
1981-82 Funds Carried Back and Spent in 1980-81	$10 million

Transfer Authority
1981-82

Supplemental Grants Funds Transferred and Spent in Work-Study	$ 3.6 million
Work-Study Funds Transferred and Spent in Supplemental Grants	$15.7 million

Funds Available for Reallocation
1981-82

Work-Study Funds Returned for Reallocation	$ 7.2 million

The following should be noted:

(1) Amounts transferred between Work-Study and Supplemental Grants result primarily not from lack of need for Work-Study funds, but from institutional policy decisions to use these programs somewhat differently than provided for in their program allocations.

(2) Some discrepancy between planned and actual institutional Work-Study expenditures can always be expected because it is hard for schools to precisely predict the number of Work-Study students who will stop working in mid-term for various reasons (e.g., changing academic workload, deciding to use other sources of financing). This unpredictability is exemplified by the fact that $10 million was "drawn down" from 1981-82 funds to cover WorkStudy over expenditures in 1980-81.

(3) Work-Study funds which are returned to the Government rarely go "unused"; these funds are reallocated to other institutions which will use them in the Work-Study program. In fact, the reallocation of $7.2 million returned in 1981-82 was specially targeted to schools serving high percentages of low-income students. For academic year 1982-83, schools requested and demonstrated need for over $1 billion in Work-Study funds.

Question: Any expected changes in the computation of Guaranteed Student Loans?

Answer: Under our legislative proposals for the GSL program, borrowers at all family income levels would be required to demonstrate need for a loan under an approved need analysis system. This across-the-board need analysis proposed is a logical extension of the current policy under which only borrowers with adjusted gross family incomes in excess of $30,000 must complete the need analysis to determine their loan eligibility. The new policy will assure that Federal benefits are distributed more equitably and are based on student need. It will also curtail unnecessary borrowing and thus help to reduce Federal costs and credit intrusion into the economy.

In establishing GSL need analysis procedures for all family income levels, we intend to continue our current approach to GSL need analysis for borrower's with over $30,000 adjusted gross income. The "Uniform Methodology" system of need analysis developed each year by the higher education community itself would continue to be the basis for GSL need analysis. Also, the $1,000 statutory minimum GSL eligibility regardless of need analysis would be retained under our proposal.

The GSL need analysis for graduate and professional students will be the same as for undergraduate students. The former will, however, have the origination fee for their loans raised from the current 5 percent of the principal loan amount to 10 percent. Graduate and professional students can generally expect higher incomes than other borrowers during the loan repayment period (largely due to the advanced training purchased with their highly subsidized loans) and thus can afford to meet a larger portion of the interest costs on their loans.

Question: What is the number of colleges and universities that have revolving National Direct Student Loan (NDSL) funds and the average amount in these funds.

Answer: We consider the National Direct Loan revolving fund "net worth" to be the total amount outstanding at any point in time. This amount was $4.5 billion as of June 30, 1982. There were approximately 3,300 institutions with NDSL revolving funds in award period 1981-82. This would make the average net worth of the loan fund, per institution, approximately $1.3 million. During award period 1981-82 institutions were able to collect approximately $433 million on loans in repayment status, for an average of about $132,000 per school.

Question: Please estimate the impact of the proposed student financial aid programs on community colleges and proprietary schools--including statistical data on how many students going to those schools receive financial aid under the current programs and how much in dollar volume goes to those schools.

Answer: The Pell Self-Help proposal is constructed to target funds on low-income students, to relate to a family's ability to contribute to educational costs and to be cost-sensitive. Substantial aid will continue to be provided at community colleges, which tend to be lower cost, for low-income students. Middle income students attending these schools will be expected to meet more of their educational costs and will receive lower awards.

Students attending higher cost proprietary schools will receive higher awards than under our current policy. Low cost proprietary schools will be affected as just discussed.

The attached table estimates the funding and recipients for the Pell and Campus-Based programs in 1982 and the expected funding in 1984. It should be noted that the total awards in 1982 do not represent total students as many students receive more than one award in their financial packages.

	Current 1982-83 ($ in millions)				Proposed 1984-85 ($ in millions)			
	Two-Year Public		Proprietary		Two-Year Public		Proprietary	
	Funding	Awards	Funding	Awards	Funding	Awards	Funding	Awards
Pell/Self Help	$525	645,540	$262	248,345	$589	525,000	$375	267,000
Supplemental Grants	45	72,581	30.2	48,710	---	---	---	---
Work-Study	84.2	130,746	9.5	14,751	136	184,750	15.3	20,750
Direct Loans	5.2	23,680	21.9	104,058	---	---	---	---
	$659.4	872,547	$323.6	416,064	$706	694,750	$303.3	218,750

Assumptions: It is assumed that students receive the average award for the type of school under the campus-based programs.

Mr. SIMON. We thank you for your answers. I am not sure we are going to agree completely on supporting your positions.

Let me first of all say that the submitted budget is a tremendous improvement over what has been submitted in the 2 previous years, and we are appreciative of that. We know that didn't happen easily and we applaud you and your staff for your vigorous fight for the dollar figures that you have.

I have basically two questions, one general and one specific.

What we are hearing from the higher education community overwhelmingly is: We need some stability. When Congress reauthorizes the Higher Education Act in 1985, then come in with new self-help formulas or other things. We have been so up and down the roller coaster we don't know where we are.

I find it fairly common that college and university presidents don't understand this whole student aid proposal. When you talk to student counselors, they become even more remote. By the time you get out to the students and their parents, particularly in inner-city areas or rural areas like mine, it becomes even more of a problem.

How would you respond to someone who would say, "I don't argue with you on the merits, but let's let things settle down for a couple of years"?

Secretary BELL. I realize that there have been many changes. We have felt, especially in the student aid area, that we have been hard pressed to relate to those changes. Were it not for what we think is the necessity to reverse the trend in the substitution of Federal aid for family and student contributions, we would be willing to hold off.

Mr. Chairman, if we can't make the effective date for these programs, because of time constraints, in the year that we propose this budget, we would be willing to talk about a potential phase in.

I would like to ask Dr. Elmendorf if he wants to respond to that, and the issue of instability. He has administered these programs and he has been on the other end on a college campus. He can give us his observations on your plea for leaving things as they are.

Mr. ELMENDORF. My sense is that whenever presidents come in and argue for a point called stability, it is also true that they have some other things in mind that they are willing to sacrifice for that.

The administration's program has other strengths which we would like to argue are worth some additional instability, if you want to call it that, in order to better distribute the funds in a way that would be more equitable to most of the students out there.

I cannot accept the fact that there is $650 million that is not distributed as it should be because of misreporting by students. Not intentional, but misreporting because we haven't bothered to try to streamline that application form so that it has on it a number of simple elements that will test the ability of a family to contribute, and at the same time not confuse the student with unnecessary collected elements which cause there to be misreporting and a tremendous amount of overawards.

I cannot accept the fact that right now we can have students who can essentially get the same award from different family income circumstances.

I cannot accept the fact that we continue to discourage students from low-income families of ever having the dream of going to a higher cost institution because we have fixed the cap on the grant at $1,800 and don't allow them to think about the possibility of going to a school that costs more than $3,600.

That situation and the fact that institutions will, as they have in the past, continue to raise their tuition anywhere between 7 to 20 percent each year, makes me believe that now is the time to begin seriously thinking about the ways that we can compensate for increased tuition, and a continuation of waste, fraud and abuse in some of these programs. We know that there is essentially an inequity built into the current program that we think can be corrected by our proposal.

Secretary BELL. Another point that Dr. Elmendorf didn't make, that I think ought to be emphasized, is that we have recognized the unemployment problem in our proposal. We propose a 60-percent increase in the college work-study program and a waiver on the current matching requirement. In effect, we draw the line where the institution is now matching college work-study. We do not put the burden on them to match the 60-percent increase but we do provide the additional resources.

I had dinner the night before last with the president of a large university and I asked him about work-study, and if they had a need for this kind of an increase. He pointed out to me that when unemployment is high, college enrollment goes up, and that there are thus more needy students on the campus than ever before.

We would like to see the work-study program increased and the amendment passed so you don't have to make matching a requirement. In the applications that the institutions make for work-study, we had a request, I think it was for last year or the year before, that was $1.2 billion. If the demand is anywhere near that, our proposed $800 million work-study would be gobbled up very easily.

I have heard some say, "Well, we can't accommodate it; the institutions can't handle that large a work-study increase." Right now in the Senate they are talking about inserting into the jobs bill $100 million more for work-study into our budget for this year. We have done a little checking to see if that money could be utilized in the middle of the year, and the response has been that it surely can.

These are the reasons that we would like to see our proposals accepted. If we can't get the total proposal, we would at least like to get some elements of it. We know that, especially on the House side, serious consideration of amendments is not very active right now. We would like to plead with you to think about our proposal a bit more to see if there aren't some elements which you can accept.

I recognize, Mr. Chairman, that the Higher Education Act soon expires and that we will need a rewrite of many parts prior to reauthorization of the entire bill. I know the point you are making. I have heard it, and I know that you can't just brush it aside. I know there is a lot of concern about change and instability in the program.

Mr. SIMON. Let me focus, then, on a more specific area, and that is international education which is a small, very small, item in the total package.

Last year the budget requested a 58-percent cut in international education. This year it is a 100-percent cut. In response to the 58-percent cut, the Senate Appropriations Committee had this to say:

> A reduction of this magnitude would seriously impair the Nation's security. The United States has a pressing need for language and area specialists, as well as for a public that is sophisticated about U.S. international needs and commitments and the reduction of these funds is shortsighted and counterproductive in both the long and short run.

Dr. Richard Beal, of the White House staff, made a speech a few months ago in which he said:

> The Federal Government and some of its resources have to be uniquely pinned to international education because no State government in our system necessarily needs to feel obligated to teach Uzbek, or at least teach it and sustain it through time, which is the bigger issue. The Federal role transcends certain parochial concerns of States.

I happened to catch National Public Radio when Adm. Bobbie Inman, former Deputy Director of the CIA, who was appointed by President Reagan, was asked about this, and he said, "There must be some mistake. They can't have done that."

When the reporter said, "No, we assure you this has happened," he said, "I find it incredible."

I join in finding it incredible, let me say. In the year 1776, while Thomas Jefferson and George Washington might have opposed it, I might have understood. In 1983, I have a very difficult time understanding it.

I am concerned, really, about two things: One is the request to zero it out in dollar terms, but that, I think, Congress clearly is going to reject for very obvious reasons.

But there is a second problem, and that is, in your reorganization, you have just taken international education and thrown it to the winds. That becomes more difficult for us to deal with and does concern me.

I might, by way of history, say that when Congress created the Department of Education, I had an amendment which would have created an Assistant Secretary for International Education. That was finally turned down when we worked out a compromise that created, as 1 of 6 or 8 goals of the Department, the promotion of international education and foreign languages. I was given assurances on the floor and in conference that this was going to be a major thrust of the Department of Education.

Now I find that it is not only not a major thrust, it is just being totaled out, both in budget and in organization. I don't know if you care to respond to that or have anyone on your staff respond to it.

Secretary BELL. It sounds as if we have a real challenge to persuade you on this one.

Mr. SIMON. You certainly do.

Secretary BELL. I would like to call on Dr. Ron Kimberling. He is Deputy Assistant Secretary for this program, area, along with the title III developing institutions program, and several other programs. I would like to ask him to muster enough eloquence to persuade you of the reasonableness of our proposal.

Mr. KIMBERLING. Thank you. I will try to muster the eloquence. Mr. Simon, I was one of the other voices on that program, so the responsibility for explaining our proposal has fallen upon my shoulders before.

I would like to talk about the organization question first, I think that is the easiest to deal with I would simply say that within the Office of Postsecondary Education, we are faced with the past inflation of the grades of many of our employees such that our international education unit would be one of the most severely hit if the laws were to be strictly applied in terms of scope of responsibilities.

We are looking for ways to preserve program integrity within an organizational framework that allows us to functionally approach some of the program administration chores. Automatic Data Processing [ADP] computer support would be an example of this, as would field reader services, some ability to functionalize our review of statistical data.

We are at the present time looking at an organizational structure that preserves, within the policy and operations area the integrity of our existing programs, and yet allows us some flexibility to modernize our technology and maximize our resources.

So I think you have seen a preliminary report to the Assistant Secretary that has a completely functional organization table. This was among the early proposals discussed that have since been superseded. We have consulted with our senior managers within Postsecondary Education. We are looking at a combined programmatic and functional organization and we have an executive council of five career GS–15 managers, including one of our top managers in international education, advising us on how we might proceed further.

We are looking at the security and stability of the programs. We are looking at service delivery in all of our program areas. We are looking at the limitations we have to live under in terms of the program budget, the S&E budget, and in terms of staffing requirements. We are trying to make the best use of these limited resources for all of our programs.

We would enjoy meeting with your staff to discuss the status of this further.

Mr. SIMON. I would like to meet personally with you on it, and not simply with the staff.

Let me just say, as you proceed, I think you can assume two things: No. 1, that your request for zeroing out international education is not going to be approved: that there will be at least as much appropriated as was appropriated last time.

The second thing is that we want that responsibility clearcut so it is in one office. On personnel, if you have some personnel problems because they have moved up to a certain grade, then shift them over to another office. I am not fighting for who the personnel might be, but if I want to find out about what is happening in Uzbek, I want to go to one office and I want to find it out, and I don't want to be told: "Well, we have shifted that. Four different people have responsibility on that."

I think it should clearly be in one office where we can be taking a look at where we ought to go and what we ought to do for the future.

Secretary BELL. Why don't we come up and talk this one through with you, Mr. Chairman.

Mr. SIMON. Great.

Secretary BELL. Then we will look at it further.

Mr. SIMON. All right. I appreciate that.

Mr. Gunderson.

Mr. GUNDERSON. Mr. Secretary, I would like to begin by joining the chairman in welcoming you, and I want to say that one of the things that really impresses me, as I talk to people in the higher education community, regardless of whether they agree with a particular proposal that may or may not be coming out of the Department, I am continually impressed by their statements of how they are so committed and believe you are committed to continuing and furthering the cause of higher education in this country.

Secretary BELL. Thank you.

Mr. GUNDERSON. I really do mean that very sincerely.

Secretary BELL. I appreciate that.

Mr. GUNDERSON. Because of the time problems we are under, I would like to focus just on two areas. There are a lot of questions I could like to ask, but I would like to go back to what Dr. Elmendorf said to begin with, if I can, referring to the $650 million that you would like to save because you believe it is misallocated because of improper reporting, et cetera.

In deleting these considerations, going from 22 down to 5 particular eligibility determination requirements, we talked to different people in the higher education community and it seems that they recognize a concern or voice a concern that the number of students attending postsecondary education, the amount of tuition paid, all of those kinds of things, are going to be removed.

They are very concerned in determining the true need of that particular student by removal of many of those categories. I would be interested in your response.

Mr. ELMENDORF. Last year the Congress did something rather significant, it rejected the notion of using a single needs analysis. In fact, they decoupled the needs analysis and do not use it in the determination of awards under the Pell grant program, GSL, and the campus-based programs are still included.

The needs analysis for these latter programs are essentially based on a community-determined-and-driven formula which is approved by the Secretary on an annual basis. The Pell grant program, however, is much more of a distribution program that is necessarily a full need-measured program.

We have looked at the data in terms of which students would change their eligibility using the current formula. For example, based on the quality control study that was used to assess this program last year, we now know that there are approximately 19 percent of the current recipients who are ineligible for awards.

In other words, there are people in this program who ought not to be in there because they have, in fact, misreported their information. They are, in fact, being given awards that should or could go to other students.

This is a serious kind of a problem that we, and the people who did the study, think could be eliminated by two means: The first means Congress helped us with, and that was to appropriate $1

million to conduct an additional verification of the 1040 data that is already on the applicaiton form. We did about 1.6 to 1.8 million of those verifications this year, and we feel that we have saved millions of dollars as a result.

Next year we have a different approach that will allow us to have to do only between 1 and 1.2 million verifications, in order to get the same quality of results. In fact, we expect to save over $100 million.

The major recommendation by the contractor advising us on how to take the error out of this program, was to change the form and leave in it only the primary elements that determine the strength of the family to provide financial assistance. Many of the other elements that don't add or contribute a great deal to the need assessment but do cause substantial losses in terms of overawards would be eliminated.

I can go through some of those dollar amounts for each of the elements removed. I won't do that here but suffice it to say that those items, once removed, do in fact eliminate the potential there is for abuse in the program. That is why we feel so strongly about simplifying this form.

Mr. GUNDERSON. How would you verify liquid assets as one of the determinants that you propose to be included in that?

Mr. ELMENDORF Most of the five data elements that we are proposing can all be verified in one way or another by information from the 1040. We try to use a single document so that financial aid officers don't have to scramble all over to find different sources. The 1040 seems to be the single most important document for providing the basis for major error reduction.

Liquid assets, even though it is an important element to consider insofar as its ability to measure the power of the family to pay, is not a major item for misreporting. The major item is the adjusted gross income, and that item is one that caused there to be essentially errors in excess of $100 million last year.

Mr. GUNDERSON. I would like to pursue a different area, if I can, for just a moment, and that is the self-help grant initiative.

I represent an area which I don't think is all that unique in this country, but it is a fairly rural area, and I would guess that most of the families in my area are not of either the poverty status or of the higher income status. We are middle income, lower income, rural, agricultural people.

When I look at this whole self-help grant proposal, and you people have made the statement that there is going to be a reduction of about 400,000 recipients from the program, but those who are on it are going to receive more money. I don't think there is anyone in this room who is opposed to the concept of lower income assistance.

I have a concern, however, that we are taking a lot of those middle-income people and removing them from the financial aid program, but yet they really don't have the resources themselves.

I would be interested in your comments as to who you think will be removed. Who are these 400,000 people, No. 1; and No. 2, how do you deal with the question of what we are doing to the lower middle income and middle income people to provide them the assistance to go to higher education institutions?

Secretary BELL. It gets down to the question of what Government assistance that we will give the student to meet the self-help requirement. I want to emphasize that our proposal for self-help, isn't a requirement where we say to the student: "You are on your own to come up with 40 percent of the cost."

We are saying to the student: "With our help and our heavily subsidized work-study program, and with our very fine guaranteed student loan program where we pay the interest all the time you are in school, and subsidize the interest even when you are out, it is reasonable to require you to meet 40 percent of the cost of attendance at college."

If this self-help will make it possible for students to attend college, then should they get a Government grant or a handout? We are saying that the middle-income students going to a low-cost institution can probably meet the self-help requirements using their savings, or using the work-study opportunities.

The reason we are proposing a 60-percent increase in work study is to make sure that self-help opportunity is there. Using the guaranteed student loan program, this middle-income student probably doesn't need a handout.

Mr. PERKINS. Will the gentleman yield to me?

Mr. GUNDERSON. I would be happy to yield to the chairman.

Mr. PERKINS. Mr. Secretary, I would like to ask you one question.

Throughout the year, in all the budgets, and conversations, and statements that have come out of the Department of Education, yesterday was the first time I ever learned anything about your proposal to increase the interest rate on the national direct student loans from 5 percent to 9 percent.

What was your reasoning behind that?

Secretary BELL. We would like to not have the disparity that we have now. The guaranteed student loan is a 9-percent interest rate. We see no reason why the national direct student loan rate ought not be the same rate as the other one.

Mr. PERKINS. Aren't we trying to to get interest rates down, and don't you think that we should give the students the benefit of that doubt while we are struggling to get these interest rates down? All we have to do is introduce a credit control bill and not let the big banks of the Nation have their way.

You are coming in here and asking for $8 billion or $9 billion to be bailed out because of bad loans that were made overseas. In view of that, and in view of the fact that we should not let the big banks run this country, don't you think it is going to work a tremendous hardship upon these youngsters going to college if we put that extra burden on them? We are giving the big banks all the breaks in the world, or have up until now, but the time has come when we are going to have to take some action.

Secretary BELL. Chairman Perkins, if we conclude that 9-percent rate is too high, a rate that has been set by Congress, then I think we ought to take a look at adjusting it.

What we have now is two loan programs, the national direct student loan and the guaranteed student loan. We actually have three, if you consider the parent loan component of the GSL program. We have consistently been trying to persuade Congress of

the value of having only one loan and one grant and one work-study program.

I haven't been able to reconcile in my mind the reason for two different interest rates set by the Government, one for the national direct student loan and one for the guaranteed student loan program. I haven't been able to understand why they can't be the same, particularly if one is a reasonable rate for one student to pay.

Mr. PERKINS. One of the reasons why is that at the time, the student loan program was more or less geared to the middle-income children of the country. The other was geared to the lower income, the very needy of the country. That is the history of the legislation, notwithstanding what you pay out down there now. Once you think about it, that is the true history of it.

Secretary BELL. I know you are pressed for time. I wonder if I might ask Dr. Elmendorf to comment on this question. It is a very important question.

Mr. PERKINS. I want to yield back the balance of my time to the gentleman who yielded to me, and then he can answer. I was here to introduce Dr. Hall, from Pikeville Methodist College, this morning. I just want to introduce him at this time, even though I won't be here, Mr. Chairman.

Mr. SIMON. We will yield to you at this time for that purpose.

Mr. PERKINS. Dr. Hall has done a wonderful job down there at Pikeville Methodist College. It has gone to a 4-year institution, and they have been struggling through contributions that they have raised throughout the country. It is an accredited institution, and one of the outstanding accredited 4-year colleges in Kentucky. Dr. Hall has been largely responsible for that.

He has some figures this morning he wants to present on the student assistance programs.

I just want to thank all of you for coming here. We are going to have a markup downstairs at 10 o'clock. I wasn't here at the outset because I conducted a hearing already on nutrition this morning. Thank you for letting me butt in. I would appreciate your letting him respond.

Mr. SIMON. We thank you, Mr. Chairman, for dropping in on our subcommittee. It is always an honor.

Secretary BELL. We join you in expressing our respect and admiration of Dr. Hall in operating an institution in a very fine way in a part of the country where a higher education is very, very important.

Mr. SIMON. What part of the country is that?

Secretary BELL. It is in Pikeville, Ky.

Mr. SIMON. Oh, it is in Kentucky. I see.

I join with the chairman's remarks. I just found out last night about the switch in the NDSL loan. That, as I recall, will require statutory change; is that correct?

Mr. ELMENDORF. Yes; it is.

Mr. SIMON. Let me just add my own instinct—I have not talked to my colleagues about this at all—that at the time when interest rates are coming down, I think it is unlikely that the House and Senate are going to raise those rates from 5 to 9 percent.

Mr. DINGLEDEIN. Mr. Chairman, just a technical piece of information. We expect the GSL rate to go down to 8 percent this summer, so the effective rate for NDSL then would also be at 8 percent; in other words, the two would track each other.

There is some flexibility in the law and we would continue to retain that flexibility. We are talking, really, about 8 percent rather than 9 percent.

Secretary BELL. I was trying to get Dr. Elmendorf into this and I wanted to do it before the chairman left so we could get his response.

Mr. ELMENDORF. Essentially, the NDSL interest rate is tied to the GSL rate. It does have a trigger there, so as the economy improves, the interest rate will drop from 9 to 8 percent.

I also might say that in recognition of Chairman Perkins' comments on Pikeville, we understand that is one of those schools in Kentucky that has a significantly high proportion of low-income students in attendance. That kind of school would not only immensely benefit from the self-help program with greater Pell grant awards than they now get, but it would also be one of those schools that would more than likely be considered for additional funds under our new TRIO program proposal.

Secretary BELL. We think maybe the reason he is here is to support the administration's proposed changes.

Mr. ELMENDORF. We hope so.

Secretary BELL. We appreciate your arranging his visit this morning. We think his is an institution that really demonstrates the virtue of the administration's proposed changes in student aid.

We will let him speak for himself a little later on.

Mr. Gunderson? We are going to have to move along here.

Mr. GUNDERSON. Mr. Chairman, in the interest of time, I won't ask any more questions. I would like, at a later date, to follow up with you this concern about where these middle-income students are going to get their assistance.

Are they going to be eligible for something else? They are not eligible today. I think we need to pursue that before we look at this whole program.

Mr. SIMON. Mr. Packard?

Mr. PACKARD. Mr. Chairman, the concept of students being expected to assist themselves is, to me, one that needs to be constantly explored. It generally permits the Federal funds to go further and involve more people. I certainly subscribe to that whole idea.

Just one brief question. Will the proposal treat all institutions of higher education in essentially the same way. Will the 2-year colleges, private institutions, 4-year universities, generally be able to handle the program on the same basis?

Secretary BELL. Yes, they will, Mr. Packard. The income level of the student and the cost of attending the institution, will be more important than it is now in determining the amount of aid that the student will get. We are increasing the current size of the maximum Pell grant from $1,800 to $3,000. Our proposal would also phase out the supplemental opportunity grant.

I want to emphasize that that increase isn't all that dramatic. It wouldn't be forthright not to emphasize that at the same time.

Mr. PACKARD. Mr. Chairman, I always appreciate the Secretary and his staff coming before us and presenting to us the programs that the administration is proposing.

Thank you very much.

Mr. SIMON. We thank you very, very much, Mr. Secretary, and members of your staff.

We probably will have some additional questions that we will be submitting. If you can respond to those questions, we would appreciate it.

Secretary BELL. Thank you.

Mr. SIMON. Mr. Owens.

Secretary BELL. I would be pleased if you would let Mr. Owens have a crack at me here.

Maybe I will take that back after the questions.

Mr. OWENS. Just an extension of his question. I would be concerned about who those 400,000 students are in one other respect, not only what income level are they, but what were they studying? How many math and science students are among those that would be cut out and not be eligible?

Secretary BELL. Our student aid doesn't discriminate on the basis of what curriculum you enroll in. It does, however, relate to the students' income. Our proposal, Mr. Owens, will target more of the grant money to the very poor; 80-some percent of the Pell grant program will go to students at these institutions.

Also, in our proposal for the TRIO program, it will give priority to the historically black institutions that the President has wanted to help.

We have a chart here in response to your question, Mr. Chairman, that shows how the money is being shifted. Of course, with every gain in one area, you have a trade-off in another. We need to take a look at that and see if you agree with our philosophy.

Knowing that all we do is propose and you dispose, we want to be the best salesmen we can on this. We think we have a good proposal.

Mr. Chairman, as we conclude, I would plead with you to take a hard look at our proposed increase in the work-study program. We think it is needed right now with the employment situation. For the institutions to get a 60-percent increase without having to match it, will take a small amendment, because the law now requires the matching. However, we think that is needed now and that we ought not have to wait on that.

We would also like to eliminate some of the complex data elements in the Pell grant program and make it more efficient. If we could make that much progress, we would feel some encouragement.

Mr. SIMON. We thank you again, Mr. Secretary.

Our next witness is Nancy Gordon, assistant director for Human Resources and Community Development of the Congressional Budget Office.

We are pleased to have you here with us. As I indicated before, unfortunately, because we have a markup in the full committee, we are going to have to limit our witnesses to 5-minute statements and then we will proceed from there, so if you wish to enter your formal statement in the record, we can proceed.

STATEMENT OF NANCY M. GORDON, ASSISTANT DIRECTOR FOR HUMAN RESOURCES AND COMMUNITY DEVELOPMENT, CONGRESSIONAL BUDGET OFFICE, ACCOMPANIED BY MARTIN LEVINE AND MAUREEN McLAUGHLIN

Ms. GORDON. Thank you very much, Mr. Chairman. I understand about the time pressure you are under, so I would like to have my written statement in the record.

Let me start by introducing my deputy for education and employment, Martin Levine, who is seated on my right, and Maureen McLaughlin, our postsecondary education analyst, who is seated on my left.

I will summarize my statement. The administration has requested $2.7 billion for its self-help grant program. We haven't been able to do a formal cost estimate of that proposal because the administration hasn't specified all the details, but it appears that that could be too little to fully fund the program.

For purposes of our analysis, however, we have assumed that there would be sufficient money to fully fund all of the awards.

Picking up on page 4 of the written statement, while Federal grant programs consider both students' incomes and educational costs in determining benefits, the weight given to each factor has been a subject of considerable debate. In short, if two students have the same income, should the one attending the higher-cost school receive more aid?

Currently, Pell grants reflect school costs only to a limited degree. Awards do not vary for students attending schools costing more than $3,600. Supplemental educational opportunity grants do reflect differences in educational costs and in special circumstances, but only a small proportion of eligible students receive them.

Consequently, the present grant system provides quite different total amounts of aid to students with the same incomes who are attending same-cost schools, depending on whether they receive help from more than one program.

While keeping total funding roughly the same, the administration proposes to reduce the variance in total Federal aid that similarly situated students now receive, reallocate aid to those attending high-cost institutions, and increase the responsibility of students and their families to pay for their educational costs. In doing so, the administration is attempting to protect the lowest-income students from reductions in awards.

Assessing the precise effects of the self-help grant proposal on students is complicated because its elements would interact in many ways. Basically, the administration's plan would reallocate the same amount of aid from some students to others. Holding other factors constant, students at high-cost institutions would generally gain, and students now receiving both Pell grants and SEOGs would generally be adversely affected, compared with those receiving only Pell grants. Moreover, the lowest income students would experience the largest gains or the smallest losses.

We analyzed some example students to highlight these effects, and these examples are shown in table 2 of the prepared statement. Students at high-cost schools, usually private institutions,

would gain, whereas, those attending lower-cost schools would either gain less or would lose, compared to the current system. For example, students with family incomes of $15,000, now all receive the same Pell grants, $1,290, whether they are attending a high-cost or a low-cost school. Under the administration's plan, students at high-cost schools would receive $880 more than they currently do, but those at low-cost schools would receive $560 less.

Because of the proposed greater uniformity of treatment, students receiving only Pell grants now are more likely to gain than those receiving SEOGs in addition to their Pell grants. Under the administration's plan, many students attending high-cost schools would receive $3,000, whereas now aid can vary from $1,800 for those receiving only Pells to $3,800 for those receiving the maximum SEOG in addition to their Pell grant.

The administration's plan would also cause some, but not all, students to pay more of their educational costs. For example, the lowest income student at a high-cost school getting only a Pell grant must contribute $6,700 now, compared to $5,500 under the administration's proposal. In contrast, except for families who are currently not required to contribute, almost all would pay more because of the proposed increases in assessment rates.

The administration's plan would also reduce the discretion of campus aid officials to deal with special circumstances that would not be reflected in the formula for determining the size of self-help grants. Under the administration's proposal, aid distributed through schools would be reduced 22 percent between 1983 and 1984.

Since the student aid programs are scheduled for reauthorization in 1985, the Congress may want to reserve major reforms for that process. If so, smaller changes could be made in current programs that would meet some of the administration's goals.

For example, increasing the maximum Pell grant while also increasing the portion of income that families are expected to contribute to educational costs would increase aid going to the lowest-income students and would make awards more sensitive to educational costs.

Alternatively, if the Congress wished to adopt the general guidelines of the administration's proposal as one means of expanding the educational choices of low-income students, it could modify the plan so that low-income students at lower cost schools would be less likely to have their grants reduced from current levels. For example, the percentage contribution required of the lowest income students could be set under 40 percent, or if funding proved to be insufficient, the maximum grant could be set lower than $3,000.

Turning to the guaranteed student loan proposal, the administration would require a needs analysis for borrowers with family incomes below $30,000. This would reduce the number of loans and their average size for students who are financially independent of their parents and for students who are attending lower cost schools.

This might cause some lenders to drop out of the program if they felt the yield was too low considering fixed servicing costs. The increased origination fee for graduate and professional students prob-

ably would not affect their borrowing because it would reduce their subsidies only slightly.

Other options that would reduce GSL spending are, of course, available to the Congress. For example, since professional students are expected to have better income prospects than other students, their GSL subsidy might be reduced even further by eliminating the Federal in-school interest payment. On the other hand, such a change would increase program complexity and might cause some lenders to leave the program.

Another approach to lowering GSL costs would be to reduce the interest rates earned by lenders rather than to cut student subsidies. Currently, effective yields for different lenders vary according to the average loan size, whether the students are in school, and whether the lenders service the loans themselves. Consequently, the Congress might consider various alternatives to lower yields for lenders who currently have the highest effective returns, since such changes would probably not reduce participation in the program.

In conclusion, the current Federal system of student financial assistance treats some students in the same circumstances quite differently. The administration's plan would provide more uniformity of treatment and at the same time reallocate aid to those at high-cost institutions.

In considering these proposals, the Congress faces difficult decisions that will involve trade-offs between more aid to enable low-income students to attend high-cost institutions and less aid for those at lower cost schools.

Mr. Chairman, that concludes my statement. I would be pleased to answer any questions.

[Prepared statement of Nancy M. Gordon follows:]

PREPARED STATEMENT OF NANCY M. GORDON, ASSISTANT DIRECTOR FOR HUMAN RESOURCES AND COMMUNITY DEVELOPMENT, CONGRESSIONAL BUDGET OFFICE

The federal government currently helps finance the education of nearly half of all postsecondary students. In fiscal year 1983, federal funding for existing programs--including grants, direct and guaranteed loans, and work-study aid--is expected to total $8 billion, with about 70 percent provided through the Department of Education. If one counts all grants, the full principal value of student loans, and all of jointly-funded work-study programs, the total amount of federally-supported aid in 1983 is expected to equal $13 billion--a 13 percent decline since 1981 when federally-sponsored aid peaked at $15 billion.

The Administration's 1984 budget includes several proposed changes in existing student assistance programs that are intended to increase the role of students and their families in paying the costs of education, target aid more to the lowest-income students, and expand opportunities for low-income students to attend high-cost schools. In addition, the Administration has requested that the Congress authorize educational savings accounts--the interest on which would be exempt from taxation--as a means of encouraging families to save for their educational expenses. In my remarks today, I will present an overview of the Administration's grant and loan proposals, discuss their principal elements in more detail, and describe other alternatives available to the Congress.

OVERVIEW OF ADMINISTRATION'S PROPOSALS

The Administration's budget request includes two main changes in existing postsecondary student aid programs:

- First, the Administration is proposing to replace three existing grant programs--Pell Grants, Supplemental Educational Opportunity Grants (SEOGs), and State Student Incentive Grants (SSIGs)--with one self-help grant program. It also proposes to eliminate new federal capital contributions for National Direct Student Loans (NDSLs), and to increase funding for the College Work-Study program.
- Second, the Administration is proposing to cut Guaranteed Student Loan (GSL) spending by further targeting subsidies on those students believed to be most in need.

These proposals would moderately reduce total direct student assistance for 1984 from 1983 levels, in contrast to the proposals submitted last year, that, if enacted, would have reduced aid sharply. Total 1984 funding for grants and campus-based aid programs would be held at the 1983 level of $3.6 billion, while funds for GSLs would be 6 percent lower than if no changes were made (see Table 1). The requested amount for the self-help grant program--$2.7 billion in 1984--might, however, be insufficient to fund the proposal fully. In this case, its impact might differ from that described here, depending on how awards were adjusted to account for the funding shortfall.

TABLE I. FEDERAL FUNDING FOR POSTSECONDARY EDUCATION STUDENT AID (In millions of dollars)

	1983 Appropriations	1984 Current Baseline[a/]	1984 Admin. Proposals
Grants and Campus-Based Aid			
Pell Grants	2,419	2,547	--
Supplemental Educational Opportunity Grants	355	370	--
State Student Incentive Grants	60	63	--
Self-Help Grants	--	--	2,714
College Work-Study	540	550	850
National Direct Student Loans	194	204	4
Subtotal	3,568	3,734	3,568
Guaranteed Student Loans[b/]	2,201[c/]	2,349	2,201
Total	5,769	6,083	5,769

NOTE: Includes only student aid programs funded through the Department of Education. Excludes Veterans and Social Security benefits.

a. Estimates of the amount of funds necessary to continue the 1983 programs.

b. Guaranteed Student Loan appropriations are the estimated cost for interest subsidies and defaults on privately written loans, net of origination fees paid by borrowers. Total lending is expected to equal $6.5 billion in 1983.

c. The continuing resolution for 1983 appropriates $3.1 billion for GSLs. Because of declining interest rates, the Congressional Budget Office now estimates that only $2.2 billion will be needed.

THE ADMINISTRATION'S SELF-HELP GRANT PROPOSAL AND OTHER ALTERNATIVES

While federal grant programs consider both students' incomes and educational costs in determining benefits, the weight given to each factor has been the subject of considerable debate. In short, if two students have the same income, should the one attending the higher-cost school receive more aid?

Currently, Pell Grants reflect school costs only to a limited degree--awards do not vary for students attending schools costing more than $3,600. SEOGs, which are distributed through schools rather than directly by the federal government, reflect differences in educational costs and special circumstances. However, only a small proportion of eligible students receive them--about 20 percent of all Pell Grant recipients also receive SEOGs, for example, and the size of these SEOGs varies. Consequently, the present grant system provides quite different total amounts of aid to students with the same incomes who are attending same-cost schools, depending on whether they receive help from more than one program. At the same time, students with the same incomes who are participating in the same programs, but attending schools with widely differing costs, may receive the same total benefits.

While keeping total funding roughly the same, the Administration proposes to reduce the variance in total federal aid that similarly situated students now receive, reallocate aid to those attending high-cost institutions, and increase the responsibility of students and their families to pay for their educational costs. In doing so, the Administration is attempting to protect the lowest-income students from reductions in awards.

To accomplish these goals, the Administration proposes to fold the three present grant programs into one; increase the maximum grant from $1,800 under Pell Grants to $3,000 under the self-help grant program; require that students provide at least 40 percent of their educational costs; and raise families' contributions. 1/ Since funding for the new program would be provided the year before awards would be made--as is the case with present grant programs--awards would not be affected until the 1984-1985 school year.

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1. Grants would be set at the minimum of: 60 percent of educational costs less the expected family contribution, $3,000 less the expected contribution, or $1,200 plus 25 percent of educational costs less the expected family contribution. The Administration is also proposing several other changes to the Pell Grant program--including varying the treatment of assets, medical expenses, and employment expenses in measuring family income, and altering the amount of permissible living costs--that are not included in this analysis.

Effects of Administration's Proposal on Students

Assessing the precise effects of the self-help grant proposal on students is complicated, because its elements would interact in many ways. Since total funding would remain roughly the same, however, the Administration's plan would primarily reallocate aid from some students to others. Whether particular students would gain or lose would depend principally on their educational costs, the total amount of aid they are now receiving, and their families' incomes. Holding other factors constant, students at high-cost institutions would generally gain and students now receiving both Pell Grants and SEOGs would generally be adversely affected compared with those receiving only Pell Grants. Moreover, the lowest-income students would experience the largest gains or the smallest losses. 2/

Analyzing some example students highlights these effects (see Table 2). Students at high-cost schools--most often private institutions--would gain, whereas those attending lower-cost schools would either gain less or lose. For example, students with family incomes of $15,000 now receive the same Pell Grants--$1,290--whether they attend high- or low-cost schools. Under the Administration's plan, students at high-cost schools would receive $2,170--an $880 increase--whereas those at low-cost schools would receive $730--a $560 decrease.

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2. Whether dependent students have earnings would also affect whether they would gain or lose. Dependent students with earnings above $3,100--several hundred thousand students--would often gain under the Administration's proposal, because they would no longer be required to contribute 75 percent of their excess earnings to their educational costs.

TABLE 2. EFFECTS OF ADMINISTRATION'S SELF-HELP GRANT PROPOSAL FOR EXAMPLE STUDENTS; SCHOOL YEAR 1984-1985, in dollars[a]

Type of Current Grant Aid and Family Income	Type of School		
	Low-Cost[b]	Medium-Cost[b]	High-Cost[b]
Students Currently Receiving Pell Grants			
$ 9,000	260	330	1,200
$15,000	-560	-50	880
$20,000	-760	-340	580
Students Currently Receiving Pell Grants and Supplemental Educational Opportunity Grants[c]			
$ 9,000	-220	-280	360
$15,000	-960	-550	180
$20,000	-1,080	-740	20

SOURCE: Congressional Budget Office.

a. Numbers represent the difference in aid between the Administration's self-help grant proposal and current grant programs. Positive numbers represent gains from the current programs; negative numbers are losses compared to current programs. Calculations assume dependent students who are members of families of four. Estimates are based on family income only and assume that grants under both the current system and the Administration's proposal would be fully funded.

b. The costs of education, including tuition, fees, room, and board, for low-, medium-, and high-cost schools are $2,600, $3,500, and $8,500, respectively. These figures would approximate the expected average costs for two-year public schools, public universities, and private universities.

c. Based on the expected average Supplemental Educational Opportunity Grant at each type of school, adjusted by family income.

Because of the proposed greater uniformity of treatment, students receiving only Pell Grants now are more likely to gain than those receiving SEOGs in addition to their Pell Grants. Under the Administration's plan, students from families of four with incomes of $9,000 attending high-cost schools would all receive $3,000, whereas now aid can vary from $1,800 for those receiving only Pell Grants to $3,800 for those receiving maximum SEOGs in addition to their Pell Grants. In essence, however, the lowest-income students would get less only if they are currently receiving both Pell Grants and SEOGs.

The Administration's plan would cause some, but not all, students to pay more of their educational costs. For example, the lowest-income student at a high-cost school getting only a Pell Grant must contribute $6,700 now, compared to $5,500 under the Administration's proposal. In contrast, except for families who currently are not required to contribute, almost all would pay more because of the proposed increases in assessment rates. For a student from a family with an income of $15,000 at a low-cost school, the family's contribution would increase from $510 to $830, while the student's contribution would also rise. Students' contributions could come from various sources, including loans, earnings, nonfederal student aid, or family contributions in excess of that required by the program.

The Administration's plan would, however, reduce the discretion of campus-aid officials to deal with special circumstances that would not be reflected in the formula for determining the size of self-help grants. Under the Administration's proposal, aid distributed through schools--work-study, NDSL, and SEOG funds--would be reduced 22 percent from $1.1 billion in 1983 to $850 million in 1984, with all of those funds provided through the College Work-Study program. The federally-determined portion--that provided through Pell Grants now or through the proposed self-help program--would increase from $2.4 billion to $2.7 billion.

Alternatives to the Administration's Proposal

Since student aid programs have been changed several times in the past few years, and since they are scheduled for reauthorization in 1985, the Congress may want to make more modest changes this year than the Administration has proposed, reserving major reforms for the reauthorization process. In this case, smaller changes could be made in current programs that would meet some of the Administration's goals--especially increasing the amount of aid provided to those with the lowest incomes and making awards more sensitive to educational costs. For example, increasing the maximum Pell Grant while also increasing the portion of income that families are expected to contribute to educational costs would move in these directions. Similarly, eliminating from the

program those students who qualify for small Pell Grants--less than $300, for example--would eliminate awards for somewhat higher-income students, thus reserving more aid for the lowest-income ones. On the other hand, these changes would reduce aid for students who, although they are not the poorest, generally have incomes below the median.

Alternatively, if the Congress wished to adopt the general guidelines of the Administration's proposal as one means of expanding the educational choices of low-income students, it could modify the plan so that low-income students at lower-cost schools would be less likely to have their grants reduced from current levels. For example, the percentage contribution required of the lowest-income students could be set under 40 percent, or, if funding proved to be insufficient, the maximum grant could be set lower than $3,000. Alternatives such as these would target a higher proportion of total aid to students with the lowest incomes, while still shifting some of the assistance toward those attending high-cost schools.

THE ADMINISTRATION'S GSL PROPOSALS AND OTHER ALTERNATIVES

In fiscal year 1983, almost 3 million students over a wide income range are expected to borrow $6.5 billion in GSLs. The Administration's proposal would further target GSL subsidies by requiring that all borrowers demonstrate need--not just those students from families with incomes over $30,000--and by increasing the loan origination fee for graduate and

professional students from 5 to 10 percent of the loan. The Congressional Budget Office estimates that these changes would reduce federal spending by $150 million in 1984 below what it would otherwise be, with greater reductions in later years.

Requiring a needs analysis for borrowers with family incomes below $30,000 would tend to reduce the number of loans and the average loan size for students who are financially independent of their parents and for students who are attending lower-cost schools--most often public institutions. A smaller average loan size might also cause some lenders to drop out of the program, if they felt the yield was too low considering fixed servicing costs. The increased origination fee for graduate and professional students probably would not affect their borrowing, because it would reduce their subsidies only slightly.

Other options are available to the Congress that would also reduce GSL spending. For example, since professional students are expected to have better income prospects than other students, their GSL subsidy might be reduced even further by eliminating the federal in-school interest payment. On the other hand, such a change would increase program complexity and might cause some lenders to leave the program, making GSLs harder to obtain for all students.

Another approach to lowering GSL costs would be to reduce interest rates earned by lenders, rather than cutting student subsidies. Currently, lenders are provided with a return that is fully-indexed at 3.5 percentage points above the bond-equivalent rate for 91-day Treasury bills. Effective yields vary according to several factors, however, including the average loan size, whether the students are still in school, and whether the lenders service the loans themselves. Consequently, the Congress might consider various alternatives to lower yields for lenders who currently have the highest effective returns, since such changes would probably not reduce participation in the program.

CONCLUSION

The current federal system of student financial assistance treats some students in the same circumstances quite differently. The Administration's plan would provide more uniformity of treatment and, at the same time, reallocate aid towards those at high-cost institutions. In considering these proposals, the Congress faces the difficult decision of determining how to allocate a limited amount of aid among students with different income levels who are attending schools of varying cost. This will involve tradeoffs between more aid to enable low-income students to attend high-cost institutions and less aid for those at lower-cost schools.

Mr. SIMON. Thank ycu very much, Ms. Gordon.
Mr. Gunderson?
Mr. GUNDERSON. No questions, Mr. Chairman.
Mr. SIMON. Mr. Owens?
Mr. OWENS. No questions.
Mr. SIMON. Mr. Packard?
Mr. PACKARD. No, I have no questions, Ms. Gordon. Thank you.
Mr. SIMON. Thank you very, very much for your testimony.
Ms. GORDON. You are quite welcome, Mr. Chairman.
Mr. SIMON. We next have a panel of Jackson Hall, Charles Lyons, Emily Hannah, and Mary Ann Lawlor, joined by Bill Clohan.

President Hall, you have already had your school discussed, your area discussed, and you discussed, but we are happy to have you here anyway.

STATEMENTS OF JACKSON O. HALL, PRESIDENT, PIKEVILLE COLLEGE, PIKEVILLE, KY., ACCOMPANIED BY STEPHEN FRIEDHEIM, PRESIDENT, ASSOCIATION OF INDEPENDENT COLLEGES AND SCHOOLS; AND WILLIAM A. CLOHAN, JR., GENERAL COUNSEL, ASSOCIATION OF INDEPENDENT COLLEGES AND SCHOOLS

Mr. HALL. Thank you very much, sir.

I am somewhat embarrassed by the extent of the introduction, but I appreciate it very much.

I would like to make three points. I have submitted my statement for the record.

Mr. SIMON. All of your formal statements will be entered in the record.

Mr. HALL. I would like to emphasize three things that are more philosophic at this point but are the foundation for the position I would take today and have taken in my testimony.

No. 1, I am a very strong supporter of the equal opportunity programs and minority education.

Second, I have a strong commitment to the philosophy of the work ethic. I think it is good for young people to work toward the payment of expenses for their education to the extent possible.

Third, and possibly most imperative, I feel that it is absolutely essential that we retain a balance between the public and private sectors in higher education.

In terms of support to our institution, Pikeville College, it comes in a number of different directions, and I will briefly touch on them, trying to stay within the 5-minute limit.

Mr. SIMON. By way of background, is your school a public or nonpublic institution?

Mr. HALL. We are a private institution a 4-year college. We are located deep in the mountains of central Appalachia. We are small, church-related, in the coal fields where coal dominates our economy. In fact, coal is our economy.

The first item I wanted to refer to relates to the coal industry and very briefly to a program that we have developed at the institution over the past 10 years, a 2-year program which has fed over

500 young men and women into the coal industry, 91 percent of whom are still employed in the industry, and who cumulatively have a safety record 3 to 4 times better than the national average and no recorded fatalities.

Last spring, as part of the fiscal year 1983 budget, we lost total funding for the program. We had anticipated a cut but we lost total funding. As a result we had to increase our tuition dramatically and we lost 50 percent of the enrollment in the course.

That is tragic. I have tried very hard, working through the Department of Labor, to try to restore some of that funding to be of assistance to students. That has not been forthcoming. I don't know if that reaches into the purview of this committee's deliberations, but nevertheless, the coal industry may have permanently lost some highly trained young men and women.

I feel very saddened about that because our commitment is to the quality of life in eastern Kentucky, and this means to the coal industry.

I mention that only because the funding was cut, but I think that there was an administrative decision and I think that there is a fickleness to some of the administrative decisionmaking that remains insensitive to some of the basic objectives of the Mine Health Safety Act of 1969.

Pikeville College has been not only one of the first if not the first institution to establish this program. It has been emulated many, many times, but by public institutions. So being a private institution makes it of a different character and, therefore, with different needs.

I would like to comment very briefly on the programs under title III and title IV of the Higher Education Act.

We had a program in title III at Pikeville College. We lost it this year. We are submitting it for reconsideration next year. I have no contest with the evaluative process. It is cumbersome; it is bureaucratic. I know that. I have confidence that Dr. Butz, who is the new director of the title III program, will bring continued and better order to that process.

I would simply like to underscore my concern, and this will move also into title IV, about the proportionate distribution of the funds in that program, where 50 percent goes to black institutions, 25 percent goes to community colleges, and the remaining 25 percent is under intense competitive stress from all other institutions, of which Pikeville College is one.

The point I want to make is not to in any way diminish the levels of support that, in my judgment, rightly go to predominantly black institutions, but the thing that troubles me greatly is the fact that the Appalachian white person who is as disadvantaged economically, socially, educationally, every conceivable way, lives in a society that is substandard in housing, health care, road systems, education. It compares in every dimension to the disadvantaged urban minority.

Yet we find ourselves simply treated as another predominantly white institution and compete for ever diminishing dollars.

I was encouraged to hear Secretary Bell say that he perceives that under title IV, and we do have a TRIO program at Pikeville College, that under title IV that this new thrust would probably

mean increased dollars to Pikeville College, and yet when I see the proposal to reduce title IV TRIO funding from $155 million down to $35 million, coupled with the statement from the President that he wants additional resources to go to minority and historically black institutions, I begin to feel some vibrations that we are going to lose an inordinately valuable program at Pikeville College.

To give you a perspective of how valuable that is, we deal with 252 students in our special services component out of an enrollment of 501 students. Eastern Kentucky University, which is up near Lexington and 150 miles out of eastern Kentucky, deals with 175 students out of an enrollment of 13,000.

Mr. SIMON. I hate to be cutting you off, but we are at that point, if you can just summarize quickly.

Mr. HALL. I would only add, then, that I am concerned about the 40-percent continuation proposed as the Federal self-help grant. I think that that inures to the benefit of the public institutions. I have figures developed for Pikeville College, the University of Kentucky, and the traditional community college in Kentucky, and I can assure you that it is putting an undue stress on the students who elect to attend a private college.

I would not support the proposed zeroing out the SEOG. That is an enormously important program. I think the proposed funding for the work-study is excellent. I am concerned about the ability of the colleges to come up with that 20 percent share, but we are already providing out of our own funds $75,000 for student employment, because the middle-income student is the loser.

I am sorry if I have taken more time than I should.

Mr. SIMON. No, we just happen to be in a very unusual situation with that meeting of the full committee.

Mr. HALL. I understand that.

I can only, in summary, ask that you work to sustain the balance between the public and private sectors, which is terribly important; that you continue to develop perspectives between work and study, between grant support and loans; that you address the plight of the middle-income family; and that you don't succumb to any pressures that might be ultimately described as reverse discrimination.

Thank you very much.

[Prepared statement of Dr. Jackson D. Hall follows:]

PREPARED STATEMENT OF DR. JACKSON O. HALL, PRESIDENT, PIKEVILLE COLLEGE, PIKEVILLE, KY.

Chairman Simon, Chairman Perkins, members of the House Sub-Committee on Post Secondary Education, I appreciate this opportunity. Let me get to the matter at hand: my reaction in general to some areas of the administration's proposed budget for federal aid to higher education and the specific question of the proposed support for federal financial aid to needy students.

My name is Jackson O. Hall. I am the President of Pikesville College in Pikeville, Kentucky. We are a small liberal arts instituation, with selected but important vocational programs in coal mining technology and nursing. We are located deep in the coal fields of eastern Kentucky and are an important component in the District of Congressman Carl D. Perkins. We are the only four-year institution, public or private, within a fifty-mile radius.

I would like to confine my comments and observations to four areas and discuss with you briefly the manner in which they impact Pikeville College, our students, and therefore our region in Central Appalachia:

1. Support of mining education through the Department of Labor, as provided through the Mine Health Safety Act of 1969;

2. Titles III and IV of the Higher Education Act of 1965;
3. Federal financial aid to needy students.

Mining Education: In 1969, through the passage of the Mine Health Safety Act, post-secondary institutions were encouraged to develop programs in mining education. While not confined to the coal industry, this rapidly became the major focus with a strong orientation toward mine safety. Pikeville College was one of, if not the, first institution to evolve such a program. It has graduated, during the past ten years, over 500 men and women, 91 percent of whom are employed in the industry and who, cumulatively, have a safety record three to four times better than the national average. There have been no recorded fatalities.

The correlation between mining education and mine safety is clearly established, and, to this day, Pikeville College remains one of the few private institutions in the country providing this type of program.

Having received funding support through the Departments of Interior and then Labor, when these programs were moved, our Mining Technology program evolved into one to the finest of its type in the State of Kentucky. Federal support had enabled us to be tuition competitive with the multitude of public institutions that emulated our program. Nevertheless, two years ago we began to increase our tuition costs with expectation that federal support would be diminishing over time.

"Over time" translated into fiscal year 1983, and we were notified in April 1982 that our entire funding of $225,000 was to be discontinued, effective immediately. The results were predictable: tuition was increased to 100 percent from 50 percent; enrollments dropped in half; and, a vital source of trained and educated leadership may well be lost to the industry permanently. The nearest program of reasonably like kind is 100 miles away, the equivalent of 2½ hours of driving in the mountains.

This situation may not fall within your purview of Committee concern. Yet, I feel compelled to bring it to your attention as members of Congress. It demonstrates the fickle and often insensitive nature of politics in the administrative process, in this case to the detriment of the well being of persons engaged in a most hazardous yet vital industry.

TITLE III

This program has been controversial. I have testified in its behalf in the past. I remain convicted that it is vitally important to the improved stability of developing institutions, of which Pikeville College is one. We have been funded in the past, although we failed in our application for a five-year grant beginning this year. The point score for our proposal was 62, well past the minimum of 50 points. Unfortunately, available funds ran out before they reached our proposal. We are a four-year, predominantly white institution.

We have been acting in good faith and in a manner entirely consistent with the legislative intent of Title III. That is to say that we had evolved the process of institutionalizing the components of our grant support that were essential to the growth and development of the institution. As of September 30, 1982, when our funding terminated, all those positions had to be fully institutionalized, at an unbudgeted additional cost to the institution of $75,000. In essence, we were encouraged to start and then left dangling and to our own devices!

I have no contest over the competitive and evaluative process. It is, by default, cumbersome and bureaucratic, but it works within established parameters and guidelines. I am confident, under the leadership of Dr. William Butts, that it will improve markedly.

What I would contest, and most vigorously, are the proportions assigned to the distribution of the funds: 50 percent to black institutions; 25 percent to community colleges; and 25 percent to the remaining qualified institutions. Coming from Central Appalachia, where the societal and personal needs are equally as overwhelming as those of any urban minority, and finding us to be, in a sense, the victims of reverse discrimination, leaves me more than slightly embittered.

To watch the meteoric rise in enrollments of the community college network; where tuition in Kentucky is 14 percent of what it costs to attend Pikeville College (i.e. $390/year vs. $2,825); where such enrollment is at the expense, all too often, of the small private institution; is to watch the decline in vitality of the private sector of higher education and correspondingly contribute to the diminishing excellence of all of higher education.

In addition, it is my understanding that the administration is proposing for fiscal year 1984 that all funding under Title III and Title IV be increasingly directed toward minority institutions. I find this to be an unconscionable travesty upon the concept of equal opportunity. I earnestly hope that, in your collective wisdom, you

will not allow this to occur. Poor, disadvantaged minorities have, and properly so, gained heightened visibility. Yet this must not be at the expense of the poor and the disadvantaged white! Conscience, perspective and equality must endure.

TITLE IV

Pikeville College is a "site" institution for a Trio Program under Title IV. It serves the young people extraordinarily well, as they move through high school and toward post-secondary education at various institutions in and beyond the region. Again, consistent with the intent of this legislation, our institution has moved to broaden the programs available through the Special Services component.

It is important to note that our Special Services program legitimately serves the needs of 252 students from our enrollment of 501 F.T.E. This compares to a similar program at Eastern Kentucky University, located south of Lexington, which serves 175 students out of a population in excess of 13,000 students. Congressman Perkins deserves praise and recognition for bringing this program to the people of the mountains and the remote rural areas of America.

We have also evolved a Center for Educational Advancement at Pikeville College, designed to provide remedial assistance in the area of basic skills development. After comprehensive and mandatory testing, over 60 percent of our incoming students are found deficient in one or more of these areas: reading comprehension; vocabulary development; writing; and arithmetic skills. In one term over 90 percent of these students, all of whom are required to take the remedial program(s) necessary for their basic skills improvement, "test out" of the program and enter the regular College curriculum. The cost to the institution is $100,000!

The results are impressive. We find this program, using computer-assisted instruction, to be at the leading edge of development education in and beyond our region. We pay a price to sustain our educational standards . . . to make up for deficiencies in the public school systems of our region . . . to turn our graduates over to their society with the ability to do more than function at a marginal level.

I applaud the initiative that is manifest in H.R. 1310, legislation aimed at providing resources to improve instruction in science and mathematics. This type of Congressional leadership is essential to the quality of our society and its work place, particularly as we see employment opportunities shift toward more technological areas.

May I also take this opportunity to urge your consideration, along with other appropriate sub-committees, of the development of legislation that would address the emerging crisis in basic skills development. Such an effort is desperately needed in urban and isolated rural areas. In eastern Kentucky, 40 percent of all students entering the 9th grade do not complete high school. Of the remaining 60 percent, 30 percent, or a net 18 percent of the total enrollment of any 9th grade class, pursue a post-secondary education program.

When we experience 60 percent of the incoming students at Pikeville College as needing remedial assistance in basic skills development, this speaks all too eloquently to the level of skills in the 82 percent who blend back into our mountain society. Instead of crisis intervention sometime in the future, our society needs a dose of preventive medicine now to remediate a problem that has already grown to serious levels across our nation.

In summarizing this section, may I again emphasize my concern over the proposed reduction in Trio funding from $155 million to $35 million and the apparent coupling of these funds "for support of minority post-secondary education". In our Upward Bound Program, 15 percent of the students are from ethnic minorities. In the regional population, the figure is at less than 2 percent.

If you could experience the value added in eastern Kentucky and at Pikeville College from the successful and effective use of modest funding, you would more clearly be able to share my concern.

FEDERAL FINANCIAL AID

Addressing the proposed financial aid budget from the administration for fiscal year 1984 requires both a statement of personal philosophy as well as a survey of its potential impact on the institution with which I am affiliated. And, even after doing that, one is left feeling that he is trying to hit a moving target without adequate information or equipment. It often seems analagous to trying to paint the wind!

From a philosophical point of view, I share the position that one will appreciate the value of an education more if one works to assist in meeting the costs of that education. I would qualify that only to the extent that there is a limit to the number of hours one can work and still remain a responsible and effective full-time

student. This also asaumes, of course, that employment opportunities exist to which the student has access.

Secondly, I am strongly committed to the position that the quality of higher education is greatly enhanced by the continued presence of a strong and vital private sector. The political pressures that surround and move the public sector would soon dominate and smother it, in the absence of the balance provided by the private sector.

It is from these two positions, then, that I approach the administration's proposed financial aid program for fiscal year 1984. As I preceive it in its present form, it would provide the following:

1. A student would be eligible for need-based grant assistance after being required to earn and/or provide either 40 percent of the institutional costs or $800, whichever is larger. The institutional costs shall be computed as the sum of tuition and fees plus $1,500, if the student lives with the parents, and $3,000, if the student does not live with the parents.
2. The SEOG and SSIG program will be zeroed out.
3. The CWSP will receive increased funding, with the average amount to be earned rising to $800.
4. NDSL funds will be available as they are collected by the respective institutions.
5. GSL funds will remain available under current guidelines, but the additional $900,000,000 created through reduced interest rates will be withdrawn from the program.

In order to assess to impact of this self-help provision (item 1 above), figures have been developed for Pikeville College, the University of Kentucky (in Lexington) and Prestonsburg Community College, located twenty-five miles from Pikeville. The tables are based on the following criteria:

1. Tuition costs at each institution for 1984–85 are increased 10 percent over the 1982–83 figures. This is probably unrealistic, but it is a common-denominator.
2. Family income, as it is reflected in need-based grant support, is set at $10,000 and the resulting Expected Family Contribution (EFC) for all three institutions is thereby "0".
3. Both the "Required Self-Help" and the "Difference" columns can consist of student summer earnings, savings, CWSP, additional parental contributions, state, institutional and private grants and loans.

TABLE I.—PROJECTED COSTS FOR EDUCATION IN 1984–84 AT PIKEVILLE COLLEGE, THE UNIVERSITY OF KENTUCKY AND PRESTONSBURG COMMUNITY COLLEGE

	1982–83 tuition and fees	1984–85 tuition and fees	1984–85 total costs	
			Live with parents	Not live with parents
Pikeville College	2,825	3,108	4,608	6,108
University of Kentucky	846	931	2,431	3,931
Prestonsburg Community College	390	429	1,929	3,429

TABLE II.—DISTRIBUTION OF 1984–85 TOTAL COSTS AT THE THREE INSTITUTIONS FOR A FAMILY WITH INCOME OF $10,000 OR LESS AND EFC OF "0"

	Live with parents			Not live with parents		
	Required self-help	Self-help grant	Difference	Required self-help	Self-help grant	Difference
Pikeville College	1,843	2,352	413	2,443	2,727	938
University of Kentucky	972	1,459	0	1,572	2,183	176
Prestonsburg Community College	800	1,129	0	1,372	2,057	0

TABLE III.—THE SUM OF THE REQUIRED SELF-HELP AND THE DIFFERENCE (THE REMAINDER NEEDED) FOR EACH OF THE THREE INSTITUTIONS

	Live with parents	Not live with parents
Pikeville College	2,256	3,381
University of Kentucky	972	1,748
Prestonsburg Community College	800	1,372

The differences highlighted by this brief analysis point out a strikingly important reality. In an area where poverty is pervasive, to the extent that, in 1982–83, 39 percent of the students on financial aid at Pikeville College are from homes where the family income is less than $10,000, students often choose their college with their pocketbook.

In a state where each student attending a public university is subsidized by an average of $3,000 per year, gravity is already pulling toward the public sector. The 40 percent self-help provision only exacerbates a serious trend, and it could, in the final analysis, undercut the fiscal stability of all but a select few of the private insitutions.

A "free lunch" is not being sought, but an enlightened awareness is essential among Congressional leadership lest a well-intentioned idea have a reverse or unintended impact. A program that would tend to bring the net costs to students attending public and private institutions closer together rather than toward an ever-widening gap would be most constructive.

Such an event will never occur from actions taken by the individual states. The political trauma would be too great. It must have a federal focus, not reflecting a bias toward either the public or private sector, but rather borne from a shared perspective that the balance, while forever imperfect, must be preserved.

Regarding the proposal to "zero out" the SEOG and SSIG programs, I feel that this would be a mistake. I have a special concern about the SEOG Program. In 1982–83, Pikeville College will have spent approximately $25,000 in the Initial and Continuing programs combined. This will have benefitted 59 students, most of whom have personal circumstances and needs not adequately addressed by the formula-based need grants. It is so important to enable the individual institution to respond to special needs that so often, at least at Pikeville College, determine whether or not a student can remain in school.

I would support the notion of increasing the College Work Study Program, but I would encourage a review of the eligibility criteria, with the thought of broadening them. The loss of the support for middle income students through this program has necessitated our College adding $75,000 in work funds to our institutional aid program for 1982–83. As stated earlier, work is a marvelous tonic for the young student. Especially in the difficult economic and employment times ahead, why punish the young person "too poor to afford and not poor enough to qualify" for a job? This caliber of person will continue to be the backbone of this nation.

I support the administration's posture on the NDSL program. Institutions should continue to be "motivated" to collect on these funds, as they are on their own institutional loan programs. And, NDSL funds should similarly be viewed as "revolving" funds, able to be used again and again.

The proposal that the GSL program remain in its present configuration seems sound. Requiring special application from students whose family income exceeds $25,000 gives flexibility for special needs after a personal review. I would strongly endorse this policy.

On the other hand, I cannot support the administration's proposal that the $900,000,000 saved by reduced interest rates be withdrawn from the program. That would be tantamount to a "windfall tax in reverse". It would seem more appropriate, and entirely consistent with the decision to budget the monies in the first place, to retain them within the financial aid programs and put them to productive use. They could fund the increase in CWSP; the 5 percent GSL origination fee could be removed; funding for SEOG could be restored; attention to lower middle income families to be given, bringing them under the "umbrella" or into the "net".

SUMMARY AND CONCLUSION

In conclusion, may I express appreciation for the opportunity to submit this testimony. Coming from an isolated, rural area of significant base poverty and high un-

employment, the financial aid programs made available by the federl government make a strong difference to so many young people for whom education would otherwise not be possible.

If you men and women, as Congressional leaders can remain sensitive to the importance of sustaining the balance between the public and private sectors; keep in perspective the relationship between work and study, grant and debt; be alert to the continued and real plight of the middle-income family; and not succumb to racial pressure that will produce reverse discrimination; you will sustain educational opportunity and quality for years to come.

Mr. SIMON. Charles Lyons, Chancellor of Fayetteville State University.

STATEMENT OF CHARLES LYONS, CHANCELLOR, FAYETTEVILLE STATE UNIVERSITY, FAYETTEVILLE, N.C.

Mr. LYONS. Thank you, Mr. Chairman.

I am Charles Lyons, Chancellor of Fayetteville State University of North Carolina. I appreciate the opportunity to testify this morning.

I come on behalf of the 2,400-plus students at our institution and would like to feel that I reflect the interests of students at a number of other institutions that are similarly situated. I especially want to reflect the perspective of the public college, because I think that we may have some problems a little different from some of the private institutions.

Let me first of all give you a little bit of information with regard to my institution and the clientele we serve.

Last year we spent just over $3 million supporting students through student aid, about $2.7 million of that coming from Federal resources. At least 90 percent of the students we serve at our institutions are on some form of financial aid. These students generally come from families whose average income is in the neighborhood of $7,000, with an average number of dependents of about five. A large percentage of these students are first-generation college students.

I want to comment briefly on the administration proposals as we see them impacting on this type of institution and this universe of students.

Mr. SIMON. I hate to interrupt. We are going to have a brief meeting of the full committee. We are in a markup and we are going to have to recess. I hate to do this to you. The president of Yale University just walked in a few minutes ago and I said, I am sorry; I am going to have to duck out on my meeting with you, and we are going to have to do the same with the four of you, if you don't mind.

I hope we can be back within a half hour or 45 minutes, but your general counsel, Bill Clohan, can tell you these things are sometimes a little unpredictable. It could be as long as an hour before we get back. I apologize to the four of you and to the two witnesses who follow. We will get back here as rapidly as we can. My apologies again.

[Whereupon, a recess was taken from 10:20 a.m. to 11:10 a.m.]

Mr. SIMON. The subcommittee will resume its hearing. Chancellor Lyons, we interrupted you in the beginning of some words of wisdom, I am sure.

Mr. LYONS. Thank you, Mr. Chairman.

I had the opportunity during the break to use my time wisely. I have consulted with my own Congressman, Mr. Rose, from the seventh District of North Carolina.

Mr. SIMON. Good.

Mr. LYONS. I am pleased to get back to my testimony.

As I was saying, our students come from backgrounds whose average family income is a little more than $7,000, and the number of dependents about five.

I want to comment on the administration's proposals as they relate to this universe of students. I would like to read verbatim this short statement from my testimony.

The administration has put forward significant and serious proposals recommending major revamping of current student financial aid programs. The Department of Education is, in turn, sending to the Congress legislation to carry out some of the program changes proposed in the administration's fiscal year 1984 budget.

As these budget proposals and programs relate to student financial aid, we believe there is not the time between now and the time that appropriations panels start to mark up spending bills to give these proposals the fair and in-depth attention they deserve. We think that colleges, universities will not have the time to assess the probable impact of these proposals on our institutions, on our ability to continue the process of accessing and educating students.

Therefore, it is our considered judgment that these proposals should be deferred and that they should be deferred until the reauthorization process and that colleges, and universities and students should not be placed on that same roller coaster that we have been on for some years—the uncertainty of whether we are going to have student financial aid to support students in the fall.

Having said that, I just want to make two or three specific comments on some of the program areas.

First of all, the idea of the maximum Pell grant award being raised to $3,000 is well received. We think it would have a positive impact. However, I think for the public colleges, if the half-cost formula is continued, most public college students would hardly be able to realize the $3,000 maximum Pell grant award.

For the students going to a college $4,000 or under, the likelihood of an award being more than $2,000 would be very slight.

So for the public college student there has to be something to balance that. The thought of zeroing out SEOG, SSIG, NDSL, appalls us very much in our segment of higher education. I think that if these programs are not funded, we are going to have enrollment problems in this segment of higher education.

One other comment I would make with regard to the TRIO programs, and I should not try to comment on all of the things that are in this report, but with regard to TRIO programs, I think it is extremely important that we maintain and, indeed, increase the level of funding for TRIO programs. We can talk about the value these programs, Upward Bound, Special Services, had been to our institution, to our students in southeastern North Carolina, and we have figures in this report to reflect our experiences.

There are literally hundreds of young people who would not be in college today had it not been for the funds under the TRIO program. Presently TRIO is funded at about $154 million. We are sug-

gesting that ought to be raised to about $170 million. The proposals which the administration submitted suggest that TRIO be reduced to $35 million. I think that would do irreparable harm to the efforts that are being made by colleges and universities to support disadvantaged students.

One other comment on TRIO: The proposals suggest the targeting of about $23 million of the $35 million to institutions that enroll 50 percent minority students. We understand the rationale for that, but we have to recognize, I think, that large numbers of minority students and disadvantaged students are no longer enrolled in historically black institutions or institutions that enroll 50 percent minority students.

I believe that we would not want to put forth or support policy positions that could, in effect, lead to the resegregation of higher education. We have made some strides in the desegregation of higher education, and the job of educating students who are black, or who come from other minority groups, or disadvantaged students, should not be the job just of institutions that enroll 50 percent minority students.

We think it is the job of higher education, and it will be good for the students and it will also be good for the institutions.

The final comment I would like to make, Mr. Chairman, has to do with the 40-percent student contribution to the cost of education. That scares us. We are not clear on what the administration's proposal really means in this regard. We firmly believe that the self-help contribution should not be 40 percent. We say in our paper that it should not exceed 25 percent to include the expected family contribution, college work study, and loans.

But we feel very strongly that a 40-percent student contribution to the cost of education would drive large numbers of disadvantaged students away from higher education.

Thank you, Mr. Chairman, for this opportunity to make these comments, and I will be happy to respond to questions.

[Prepared statement of Charles "A" Lyons follows:]

PREPARED STATEMENT OF CHANCELLOR CHARLES "A" LYONS, JR., FAYETTEVILLE STATE UNIVERSITY, FAYETTEVILLE, N.C.

Mr. Chairman and members of the Post Secondary Education Subcommittee, my name is Charles "A" Lyons, Jr., chancellor, Fayetteville State University, Fayetteville, N.C. I greatly appreciate the opportunity to provide testimony today on a matter so critical to the education of literally thousands of young Americans.

I come today on behalf of the 2,400 plus students at Fayetteville State University and like to feel that I reflect the interests of the students at the other 113 historically black institutions which are members of the National Association for Equal Opportunity in Higher Education. I especially want to reflect the perspective of the impact of the administration's fiscal 1984 budget proposals on historically black public colleges and universities.

First, let me share with you some background information on our student population which can perhaps be replicated on most of the campuses of this universe of 114 institutions.

Fayetteville State University students, like many other students in a large number of colleges, rely heavily on financial aid to help pay their college expenses. Fayetteville State University awarded a total of $3,052,045 in financial aid from all sources during the 1981-82 academic year. The majority of those funds ($2,725,081) were Federal funds. Of the total enrollment in the fall of 1981-82, 74 percent (1,714 students) received financial assistance from Federal programs while 16 percent (398 students) received financial aid from loans, scholarships and other sources. It is clear therefore, that continuing financial aid at least at the current levels is critical

to our type institution and to our universe of students if educational opportunity is to remain a reality. At least 90 percent of these students receive help from a combination of the supplemental educational opportunity grant (SEOG), the national direct student loan (NDSL), the North Carolina Student Incentive Grant (NCSSIG), the Pell grant, and the college work-study programs (CWSP).

These students are from families whose average annual income is little more than $7,000.00 and the average number of dependents is five (5). In addition, many of them are first generation college students who are attempting to set good examples for their younger brothers and sisters by earning a college degree. Their success in college and their success at becoming productive citizens after graduating from college are dependent upon the right mix of financial aid. Over the years, colleges and universities have spent a good deal of time researching and determining the best mix of financial aid for the particular type of student population they serve. Disturbing that mix may have severe negative effects on how well some students perform academically.

The administration has put forward significant and serious budget proposals recommending major revamping of current student financial aid programs. The Department of Education is in turn sending to the Congress legislation to carry out some of the program changes proposed in the administration's fiscal 1984 budget.

As these budget proposals and proposed program changes relate to current student financial aid programs, we believe there is not time between now and the time appropriations panels start marking up spending bills to give these proposals the fair and in-depth attention they deserve. Moreover, colleges and universities need more time to assess the probable impact these far reaching changes would have on the institutions and on their ability to continue, unimpeded, the process of accessing and educating students.

It is, therefore, our considered judgement that the proposals put forward by the administration should be considered reauthorization proposals rather than budget proposals and deferred for a fair and just examination and hearing in the reauthorization process.

In order to avoid the inevitable bottlenecks, which occur when major chances are made in programs and new regulations have to be written and approved before programs can be implemented, we strongly urge that spending on student aid programs for fiscal 1984 be based on current law rather than on the program changes requested by the administration.

Having said that we would, nevertheless like to comment briefly on the administration's financial aid proposals.

The idea of increasing the maximum Pell grant award to $3,000 is well received and would have a positive impact on how much remaining need some students might have. However, if the half cost formula is continued, most public college students could not receive more than $2,000 maximum. This amount would be reduced even further if the educational cost is below $4,000. This, in our view, is strong justification for continuing to fully fund such programs as SEOG, NDSL and SSIG to help make up the difference in the students' total aid package for a full academic year. Even among private institutions, in order to reach the maximum award of $3,000 the institutional cost would have to be quite high. It would be reasonable, to assume therefore, that not all students would be able to qualify for the maximum $3,000 grant.

For the 1982-83 school year approximately 800 students at Fayetteville State University received SEOG awards totalling some $610,000. This sum coupled with the Pell grant awards make up more than half of the students' need. If the SEOG program is not funded, we would be seriously hampered in meeting the educational costs of our students. Our students depend heavily on grant funds to pay their educational expenses and have no other source of funds to supplement a serious loss. Failure to fund the SEOG program would undoubtedly place a college education out of reach of large numbers of Fayetteville State University students and we suspect students at similar historically black public institutions. The SSIG program is similar to the SEOG program in that many students depend on it to pay a part of their college costs. On a large number of campuses SSIG awards may range from [illegible]ercent to 50 percent of a student's financial aid package. Losing this program [illegible]uld eliminate approximately 9 percent of the financial aid recipients at Fayetteville State University.

Eliminating the Federal capital contribution of the NDSI program would also have a negative impact on an institution's ability to adequately meet the financial needs of students. Due to the fact that many borrowers are out of work they are unable to make payments on their loans. For example, we are receiving approximately 25 letters per week from borrowers who are unemployed and unable to pay.

We are also receiving a substantial number of requests for hardship deferments and repayment extensions. These requests are so numerous that we are no longer able to predict the collections that will allow us to meet the students' financial need.

While we are generally pleased with the notion of increasing the funding of the college work-study program, we beleive that this increase should not come at the expense of SEOG, SSIG, and NDSL. Institutions need the flexibility of developing the best packages of aid that meet students' financial needs and at the same time, allow students the opportunity to meet their obligations to their academic studies. A significant number of students attending post secondary education institutions do not bring with them all of the academic skills that are required for initial success in college. Therefore, many of them spend time in special tutoring and counseling sessions in addition to their regular classes. Requiring them to work more hours would detract from the central purpose for their being in college.

At my own institution, Fayetteville State University, 870 students are employed under the auspices of the college work-study program. These students work on the average of 10 hours per week, which is the number that our research over a long period of time confirms is best for our students' intellectual development and academic success. Our calculations suggest that the administration's proposals would cause our students to work approximately 18 hours per week; 8 hours more than the number we think would be desirable. Our students already earn an average of sixteen percent (16 percent) and borrow four percent (4 percent) of the financial aid they receive. Requiring them to earn more would cause them to work more hours which we believe would impact negativley on their progress toward graduation.

The sharp reductions in the level of funding as proposed by the administration in the trio programs, designed to assist disadvantaged students, would greatly impair the work of my own institution and hundreds of others, in salvaging and developing human talent.

Let me share with you what one of these programs, upward bound, has meant to black youngsters in southeastern North Carolina.

During the past five years, this program has served a total of 361 students, of this number, 117 were high school seniors. During the same period 107 of these students enrolled in post secondary education institutions. It is reasonable to assume that were it not for the trio programs those 107 students may not have enrolled in post secondary education institutions.

Special services, another phase of the trio programs at Fayetteville State University provided tutorial and academic support for 697 freshman and sophomore students over the past five years.

These programs, serving low-income and potential first generation college students, provide a vital service. We must keep in mind that this population of students comes from backgrounds where motivation in the home is very low.

The primary aim of the trio programs is to provide opportunities for the disadvantaged and/or handicapped students to enter the main stream of society.

The proposed 77 percent cut in the trio programs would eliminate 1,137 projects that serve 471,930 students at 795 colleges and 690 community agencies, according to Marjorie Hoyler, deputy director of the Educational Opportunity Council. Services would end for 185,000 black students and 79,000 hispanic students.

Many of the students enrolled at our universities and colleges enter and leave with little or no work experience that is relevant to their major field of study. The non-professional and often menial jobs that students have held and probably will hold in the summer months during their college years are inadequate as training grounds for the professional and other white collar jobs students expect to attain as college graduates.

Cooperative (co-op) education is an integral part of the educational program which integrates academic study with work experience. For example, through co-op, students are placed in actual off-campus jobs related to their academic major fields of study. This work experience not only helps to finance the students' college education with earned salaries, but it also improves chances for permanent employment after graduation at better salary offers. It gives students practical orientation to the world of work, offers advantages of the specialized facilities and equipment in the non-academic world; tests academic knowledge in the real world while providing students opportunity for gaining practical on-the-job experience; produces new opportunities for direction of academic study; assists in developing self confidence, maturity, motivation, and a serious attitude and success orientation, promotes better understanding of interpersonal relationships; and furnishes first-hand learning from other professionals in the field.

Research studies have shown that the recruitment yield in terms of persons hired as a percentage of candidates interviewed for jobs is thirteen (13) times higher for

co-op students than for other college graduates. Among individual employers, recruitment costs per co-op student range from only five percent (5 percent) to seventy percent (70 percent) of the costs of recruiting other college graduates; and co-op employees stay with firms longer than non co-op employees. Companies large and small report retaining up to seventy-five percent (75 percent) of their former co-op students five years or more after graduation. The average retention rate for all industry is fifty-five percent (55 percent).

Co-op students are normally more productive and responsible, remain employed for a longer period of time, and offer business and other employers a higher return on their training investments. Students really need professional experience—co-op is a good solution. Discontinuing this program would deny many students the opportunity to get the necessary experience that will make them successful in the world of work.

The aim of education is not only to provide basic understanding of the society in which one lives, but also to provide better understanding of other peoples cultures and consequently, to promote better understanding among people across cultural and international boundaries. More than ever, these ideals can only be valid through respect for the individual, love of freedom and peace, and persistently seeking negotiated solutions to the most difficult problems.

In today's world there is a need for worldwide interaction, knowledge and understanding. Opportunities are no longer limited to the boundaries of a country. Therefore, higher education is obligated to provide educational experiences and programs which will enable students to successfully negotiate a global society.

It is imperative that the international education/foreign language studies program remain a part of the fiscal year 1984 budget in the Department of Education.

We strongly support the administration's recommendation of an increase in title III funds and the proposed increase in funds targeted for the historically black colleges and universities.

For emphasis, we repeat our earlier recommendation that spending, in fiscal 1984, on student financial aid programs be based on current law and that there be no major change in the structure of these programs during this funding period.

Having said that, we urge this subcommittee to support and recommend spending levels on these student financial aid programs commensurate with the funding levels adopted by the House Education and Labor Committee a year ago, and recommended for fiscal year 1983. We believe these funding levels which follow to be reasonable and represent essentially a holding of the line rather than real net increases. These programs and funding levels would include: Pell grants $3,066 billion; SEOG $385 million; college work-study $550 million; national direct student loans $286 million; State student incentive grants $76.8 million. We would not be opposed to an increase in the funding level of the work study program but only as an "add on" and not at the expense of the other programs.

We also strongly urge an increase in the funding level of the trio programs from the current $154 million to $170 million; rather than the drastic reduction to $35 million proposed by the administration.

We are grateful for the administration's commitment to and sincere support of the historically black colleges. On the other hand, we in the black college community are well aware that large numbers of black students are now enrolled in many colleges and universities in this country that are not historically black. Moreover, trio programs service other minority students as well, such as the growing population of hispanics and native Americans.

Under the administration's proposal the $35 million budgeted for trio could be used only for one program, special services for disadvantaged students. These services entail providing tutoring and counseling services for students already in college. These services need to be continued at an enhanced level. That program alone is funded currently at nearly $61 million.

But the other trio programs, which are projected for zero funding for fiscal year 1984 in the administration's proposals are equally important. These programs are talent search, upward bound, educational opportunity centers and staff training. These programs fund the efforts of colleges and universities and community agencies to search out disadvantaged high school students who could benefit from college and provide tutoring and other academic services that would prepare them for successfully enrolling in and completing their chosen college programs.

One final comment should be made on the administration's proposal with regard to the trio programs. The administration proposed to target $23 million of the proposed reduced trio budget for institutions that enroll more than one half minority students. While the proposal is well meaning and the targeted institutions are equipped to do the job, we are certain that neither the administration nor any of us

wish to put forward policy positions that would, in effect, lead to the resegregation of higher education. The job of educating minority and disadvantaged students is the job of all higher education institutions, not just institutions that enroll at least fifty percent (50 percent) of minority students.

The funding of the trio programs for fiscal year 1984 at the funding level of $170 million would enable American higher education, the Federal Government and the American people to continue to discharge this country's commitment to make equal access to higher educational opportunity a reality rather than an illusory dream.

We also urge that the funding levels for the following discretionary aid programs be set at the indicated levels. The programs are: Cooperative education $20 million; graduate support $14 million; title III $134.4 million; international education/foreign language studies $30 million and veterans cost-of-instruction $5 million.

We think the principle of saving is laudable and should be encouraged. On the other hand, for the universe of students and institution which I represent, most families do not have $1,000 a year to save for education or any other purpose. With average family incomes of $7,000 and the average number of dependents in the household of 5, most families are barely making ends meet. For this universe of institutions, therefore, the education savings account would be of negligible value and would hardly justify the loss of the projected $35 million in lost tax revenues for the first year's cost of the plan.

Even if the Congress, in its wisdom, were to seriously consider such a program we would urge that such consideration be given not as an alternative to existing programs, but only as a supplement to existing aid programs.

Lastly, Mr. Chairman, let me state our concern about the proposed 40 percent student contribution for the cost of education through self-help.

Self-help at our institutions has always been the total contributions made by the family and this includes whatever amount the student could contribute through summer employment and other means. It is not clear to us whether or not the administraton's proposal is defining self-help separate and apart from expected family contribution.

We firmly believe that the self-help contribution should not exceed 25 percent to include expected family contributions, college work-study and loans.

I thank you, Mr. Chairman and members of the subcommittee for this opportunity to share these thoughts with you on these vital concerns.

Mr. SIMON. We thank you for an excellent statement.

I am going to call on my colleague from Wisconsin to introduce our next witness.

Mr. GUNDERSON. Thank you, Mr. Chairman.

It is, indeed, a privilege for me, and the first time as a member of this committee that I have had the opportunity to introduce one of my constituents, coming from the largest university in my congressional district, and I think I am not overstating it when I say also the most respected university.

It is my privilege to introduce Chancellor Hannah. She doesn't even know this, but I have a pretty good rapport with the students of the different colleges, and one of the things I asked the students at UW-Eau Claire the last time I was there was how they felt about the new chancellor. I can assure her and this subcommittee that she received universal approval from the students, so it is indeed an honor to welcome her to this committee.

STATEMENT OF MARY EMILY HANNAH, CHANCELLOR, UNIVERSITY OF WISCONSIN, EAU CLAIRE, WIS.

Ms. HANNAH. Thank you, Mr. Gunderson, and Mr. Chairman and members of the committee.

I represent UW-Eau Claire, which is the third largest of a 26-campus system, the University of Wisconsin. UW-Eau Claire is a public liberal arts university, and without fail, on the day that we welcome new students to the university and on the day that we bid them farewell, we call attention to the fact that we are engaged in

an educational partnership, self-help in the parlance of this budget, with State assistance, Federal assistance, philanthropy, and assistance throughout the university community.

It is a partnership, and I realize that one of the things that you must discuss regularly is, what is the Federal role in that partnership? I am pleased to have the opportunity to be with you this morning to talk a little about my pleasure with the re-recognition of the Federal role in education in this budget, but also about some concerns that I have about aspects of the budget.

UW-Eau Claire is, like many institutions in each State, an institution that was established to make education acceptable and accessible, to bring farmers, members of the business community, and other citizens into the leadership of the community so that their economy and the quality of life and their contribution to the culture could be enhanced.

Citizens and their legislators have realized that the best guarantor of individual liberty and the best guarantor of the national defense is an educated, egalitarian, outward-looking people, and that money spent on education which yields knowledge is far more contributive to the protection of our liberty, individual or collective, than money spent on all the armies, navies, and armaments that we could conceive of.

There are, I think, three basic obligations of the Federal Government in education: One, to guarantee access; two, to extend the range of choice; and three, to supplement the educational resources of the Nation.

The self-help rhetoric of this budget is commendable. A tax-protected college savings account could be a genuine incentive to savings if the entire $1,000 annual contribution were tax protected, as it is with the individual retirement account, and if the family had the initial income to save. A workable enticement to student, grandparent, parent, bachelor uncle or old maid aunt to save for college is a noble idea.

An increase of funds for the college work-study is desirable. At UW-Eau Claire we have twice as many needy students as we have work-study funds. Work-study is conducive, and this is one reason why I very much like it, to what is unique about a university faculty, staff, and students working together, studying together, appreciating the values of research and appreciating the qualities of good teaching and good learning. It is a very important thing.

But we recommend increasing these funds not by canceling the SEOG program, but from savings resulting from lower interest in the GSL program. A student now working 15 hours a week cannot work 30 hours a week and still be a full-time student just by shifting the money from one category to another.

But most important, cancellation of the SEOG program would reverse the Federal commitment to guarantee access to all before extending choice to a few by shifting funds from the needy student struggling to attend a regional, local, low-cost institution to the student selecting, choosing, a higher cost institution.

Ms. Gordon expressed that very well this morning when she explained that the student going to a high-cost institution would have $800 more and the student going to a low-cost institution would have $560 less.

I think it is more important, given limited Federal funds, to guarantee access to the largest number before guaranteeing choice to those who would select a higher cost institution. Now, this is not a battle between public and private institutions, and I emphasize that. I learned my public policy in my beginning economics at Grinnell College, one of the best private, liberal arts colleges in this country, when Howard Bowen was president there and Sputnik went up and we were just beginning to talk, really, about the Federal role in education.

It is a matter of public policy. Which is more important—to gain access for the larger number or to extend the choice to the smaller number?

At UW-Eau Claire, almost 65 percent of our students receive Federal assistance. The average award is $2,188, for a total of almost $14.3 million. The average family income is a little over $18,000, from which each contributes about 10 percent toward an educational cost of about $4,100.

Be advised that $10 million of that $14.3 million is in loans, $1 million is in work study, and only $3.2 million is in grants. So the grant is important. The loan is even more important, but the loan is something the student pays for. It is self-help in the parlance of this budget, even though it is paid later rather than at the moment.

It will not surprise you that about half of our students come from homes within 50 miles of the university, despite our unusual statewide draw. Most of the academically strongest students of the region enroll near home, and a primary reason is access.

The SEOG is a campus-based program. It is helpful to minority and disadvantaged students and it is preferable to the Washington-administered slow Pell grant program. It allows us, for example, to assist a farm student who cannot receive a Pell grant because his family farm is assessed at 100 percent under the Pell program, and under the SEOG it is assessed at 50 percent.

Two additional student assistance programs affect our students. One is the TRIO program, and we have about $100,000 in a grant from TRIO. I am not so interested in the $100,000; I am interested in the point just made by the preceding speaker, and that is, I would hate to see higher education resegregated. That money goes to support a program that is directed toward the American Indian students from the reservations just north and south of us, the urban blacks who do have the courage to come as far away as Eau Claire, and those in our urban and rural communities surrounding us.

We know that students who have disadvantaged backgrounds do better when they come to college if they are able to stay in their home neighborhood with their family support networks. I would hate to see those students not come to UW-Eau Claire and feel that they had to go to UW-Milwaukee, or a larger institution that had a minority population.

Equally as significant, and I realize that I have spent most of my time on financial aid because I think that is what you are interested in this morning, is the student assistance and the Federal role in encouraging research, international understanding and other

areas. But first let me say that whatever benefits the major research universities benefits the rest of us.

Our teachers come from the major research universities and their laboratories and their professors are our friends, our weekend haunts, and our summer homes. We are ourselves research universities, too, and we have resources from the NEA, the NEH, the NIH, and all the funds that we receive from those agencies.

But the most important thing that I would like to say finally is that I would very much like to encourage this committee and the leadership of this committee in its support of the international cultural exchanges, the Fulbright-Hayes program, foreign language encouragement, and area studies research.

We have at Eau Claire, out of 11,000 students, over 150 from 40 nations of this Earth, and we have them because we hunger and thirst after international understanding and because we strongly believe that as we come to understand each other across this world, we will need to spend less on the kinds of other things that this administration spends a lot of time talking about. I would very much encourage you to expand these programs, to support them, and whatever we can do to help you in doing so, I stand ready to do.

Thank you very much for the opportunity to be with you.

[Prepared statement of Mary Emily Hannah follows:]

PREPARED STATEMENT OF MARY EMILY HANNAH, CHANCELLOR, UNIVERSITY OF WISCONSIN-EAU CLAIRE

Mr. Chairman, and distinguished members of the Subcommittee, I am Emily Hannah, Chancellor of the University of Wisconsin-Eau Claire, third largest institution in Wisconsin's 26-campus system of public universities, in the Third Wisconsin District of Congressman Steve Gunderson.

UW-Eau Claire is a public liberal arts unviersity. We speak proudly there of our Environment for Learning, guided by the motto Excellence. And without fail, on the day the student is welcomed, and on the day we bid farewell, we emphasize his or her participation in an educational partnership, in which the student, his or her family, the University, the State of Wisconsin, and our federal government join, each with its appropriate responsibility and contribution.

One of the fundamental questions perennially confronting this committee, of course, involves defining the appropriate role of the federal government in that partnership.

Education is not mentioned in our Constitution, and scarcely mentioned in the President's Budget Message. If one views education as solely for individual development, or for advancement up the economic ladder, one may tilt heavily toward placing the burden of the costs on the student or on the family. But the more one recognizes that education provides the leadership for our communities, the invention and strategy for a strong economy, and the human understanding which enhances our lives and reduces conflicts between us, the more one comes to understand this constructive partnership in which we are joined.

Thus we are pleased to see a renewed recognition of a federal role in this year's higher education budget, though concerned about certain proposals. I welcome the opportunity to share both pleasure and concerns, within a philosophy about the federal role in higher education.

UW-Eau Claire, and institutions like it in each state, were established to make education accessible to the people—to bring farmers and business people and other citizens into the leadership of the region, so that their economy, quality of life, and contribution to the civilization might be enhanced. Following Jefferson's example in establishing the great public University of Virginia, citizens and their legislators have realized that the best guarantor of both individual liberty and the national defense is an educated, culturally rich and extended, egalitarian people who can share this universe rather than fight over it—a people who understand that knowledge is more in the national interest than are all conceivable armies, navies, and armaments.

The major burden for such education falls, and has long fallen, on the citizen, through his taxes to the state and from his own pocket—both forms of "self-help," in the parlance of this budget. A small portion, ten to fifteen percent, has come from our federal resources. And though that portion has had an effect on curriculum and on innovation, the primary effects have been on access, choice, and scholarly productivity—that is, upon expanding the citizen's opportunity to attend college, increasing the institutional options available to the student, and extending our knowledge through research and the collection and dissemination of resources.

These are today the three basic obligations of the federal government in higher education: to guarantee access; to extend the range of choice; and to supplement educational resources nationwide, in the national interest.

The "self-help" rhetoric of this budget is commendable. A tax-protected college savings account could be a genuine incentive to saving if (a) the entire $1000 deposit were tax-exempt, as in the Individual Retirement Account, and (b) the family had the initial income to save. A workable enticement to student, parents, grandparents—and even bachelor uncles—to save for college should be encouraged.

An increase in funds for the College Work-Study Program is desirable. At UW-Eau Claire, we have twice as many needy students eligible for work-study as we have funds. Work-study is conducive to what is unique about a university—faculty, staff and student learning and working together, each according to his knowledge and skill, but in a learning environment. One of the best stimuli to scholarly activity is student assistance in research—to monitor experiments, conduct interviews, type results, develop new statistical computer programs, or ask the unasked questions. Such work has the by-product of building an understanding of research as well as teaching, and can be critical in attracting more math and science students to teaching careers.

But we recommend increasing those funds not by cancelling the Supplemental Educational Opportunity Grant (SEOG) Program, but from savings resulting from lower interest in the Guaranteed Student Loan (GSL) Program. A student now working fifteen hours a week cannot work thirty hours and still be a full-time student, just because the money switches budget categories; grant funds must also be available. But most important, cancellation of the SEOG program would reverse the federal commitment to guarantee access to all before extending the choice of a few, by shifting funds from the needy student struggling to attend a local or regional low-cost institution to the student choosing to attend a high-cost institution. If one responsibility is more federal, and another more individual, then access is the federal responsibility and choice the individual responsibility. Though important to make it increasingly possible for anyone to aspire to study anywhere, the more important federal responsibility is to remove discriminatory barriers to access, whether rooted in financial resources, underpreparation, cultural differences, or regional economic circumstances.

At UW-Eau Claire, almost 65 percent of our students receive federal assistance. The average award is $2,188, for a total of almost $14.3 million. The average family income is $18,282, from which each contributes about ten percent toward an educational cost of about $4,100. Be advised that $10 million of that $14.3 million is in loans. One million is in work-study, and only $3.2 million in grants. We estimate that cancellation of the SEOG would cost our students $650 000—almost a fifth of our grant total.

It will not surprise you that about half of our students come from homes within fifty miles of the University, despite our unusual statewide draw. Most of the academically strongest students in the region enroll near home. A primary reason is access. Of the top sixty students in the city itself last year, only a few went elsewhere, and they went with family means or with scholarships well beyond the cost of tuition. Under the proposal outlined by the Administration, they would enjoy increased Pell Grant funds, and the others would face diminished opportunity to attend college at all.

This is not a battle between public and private institutions; it is a public policy question. I first developed my economic and educational theories as a scholarship student at Grinnell College, when the venerable Howard Bowen was president in the Sputnik era and federal funding was much discussed. But I have spent my career in an effort to expand access to such liberal education through low-cost options. And I see these proposals threatening to redirect admittedly limited resources in precisely the wrong direction.

The SEOG is a campus-based program, helpful to minority and disadvantaged students, and preferable to the Washington-administered, slow-response Pell grant. It allows us, for example, to assist a farm student who cannot receive a Pell Grant because his family farm is assessed at 100 percent of its value despite its non-con-

vertible character and the family's precarious circumstances, because the SEOG program assesses that property at only 50 percent of value.

Two additional student assistance programs would affect our students. We have about $100,000 from the TRIO program to assist minority and disadvantaged students—students from the Indian reservations north and south of us, from urban Milwaukee, and from rural and urban disadvantaged homes and schools. To restrict TRIO assistance to predominantly minority or disavantaged institutions ignores the need of individual students attending the low-cost, accessible university near home. Finally, any proposal to reduce aids to graduate students diminishes the opportunity of students who do their undergraduate work at UW-Eau Claire—whether because of cost and access or because of program excellence—to attend graduate school. The 10 percent loan origination fee reduces the $3,000 loan immediately to $2,700.

Equally as significant as the student assistance programs is the federal role in encouraging research, international understanding, and preservation and advancement of our civilization.

First, let me say that whatever benefits the major research universities at Madison and Urbana and elsewhere benefits our regional universities. Their graduates become our professors, and their libraries and laboratories continue to be our professors' weekend and summer haunts. Their development of automated library systems with on-lone bibliographic bases are our links with colleagues worldwide. Our faculty join their research teams, and send their best students to study with colleagues there.

But we are ourselves research universities, too, particularly in need of support for our libraries and laboratories, so that our students can proceed both to study and to teach at the highest possible standard. A major biomedical research grant from NIH promises both a contribution to the scientific community and a valuable model on our campus of scientific scholarship by one of our most revered undergraduate professors; students need to see their own teachers engaged in such enterprises.

The national endowments are critical to our arts and sciences mission, and we are pleased to see not only renewed support for the endowments, but the substantive and qualitative tenor of their new administrative guidelines. They are vehicles for scholarly cooperation and leadership—a national asset.

I perhaps need not tell this committee how important we deem federal support in such programs as international cultural exchange, the Fulbright-Hayes program, foreign language encouragement, and area studies research. Students from over forty nations study on our campus in western Wisconsin, and we participate in numerous student exchange programs, because we hunger and thirst after international understanding and harmony. Japan and Russia have more teachers of English than we have students of Japanese and Russian. Few American "experts" on the Middle East, or the Brazilian economy, or the Chinese revolution are fluent in the appropriate languages—and even fewer of our policy makers. Our efforts to yield a different next generation of college graduates depends first on our faculty and on resources; for that, the faculty Fulbrights, the language textbooks, opportunities for study abroad, and area studies research are the federal keys. It, like the other efforts, is largely "self-help." But we ask your continuent and persistent assistance and involvement.

Finally, allow me to note that there is no more exciting Capital than this city with the Smithsonian, the Folger, the National Gallery, the Aeronautical and Space Museum, the Kennedy Center, the Arboretum—and the endless other national treasures. The systematic collecting, and publishing, and lending of resources is critical to American education at all levels. And I hope you realize how important to the educational enterprise are the Public Brodacasting System and National Public Radio.

The point is: the federal contribution is the margin of difference.

Mr. SIMON. Thank you. You don't mind if I cheer your last comments?

Incidentally, of interest to those of you who are in front of us here, as well as the members of the subcommittee, I have just been handed a note that the Federal court in Minnesota has decided on an injunction of the Solomon amendment.

Mr. GUNDERSON. It solves some implementation problems for this year, doesn't it?

Ms. HANNAH. You see why I stayed away from that.

Mr. SIMON. Our final witness on this panel is Mary Ann Lawlor, and I understand that our former colleague on this subcommittee, Ted Weiss, was here earlier to greet you. I want to get that in the record.

We are very pleased to have you. You are accompanied by Stephen Friedheim and William Clohan, both of whom are not strangers in these halls here. We are pleased to have you here.

STATEMENT OF MARY ANN LAWLOR, CHAIRMAN, BOARD OF DIRECTORS, DRAKE BUSINESS SCHOOL, NEW YORK, N.Y.

Ms. LAWLOR. Thank you, Mr. Chairman, and thank you to the members of the subcommittee for allowing us to be here today.

Because we are restricted as to time, I am going to very quickly summarize the 11 points that we present on the first page of our testimony.

I represent both Drake Business School and the Association of Independent Colleges and Schools. That is an association of 571 very diverse business schools and colleges with 174 branch campuses, and we represent approximately 430,000 students. About 90 percent of our schools are tax-paying business corporations.

Students choose to come to our schools because they feel that we are a very direct means to a job. What they are looking for is work as word processors, data processors, legal and medical secretaries, computer operators, programers, accountants, work of that sort.

Fortunately, the administration's fiscal year 1984 budget proposals are sufficiently high that we can discuss the substance of the proposals and not be directing all of our efforts toward the level of funding, as we have in the last couple of years.

I am at the third point in the summary, and I just want to say about that, amen to what everybody else said. We are looking for a period of stability. We applaud the effort to simplify the programs because they are far too complex, but stability is what we really need at the moment.

On point 4 I am really going to spend a lot of time and effort here with you.

The self-help proposal would create a threshold stumbling block for our students. We have low-income students and we understand the major philosophical shift of the administration. They are attempting to return to a tradition of self-help and parent involvement. Unfortunately, the students that I represent at my own institution don't come from that tradition. The tradition that they came from was the tradition of exclusion, so they don't have the tradition to go back to.

Students attending proprietary institutions would be more adversely affected by this self-help requirement than students at nonprofit institutions. I would like to expand on that a bit.

In New York State, the education department did a survey of students in the registered business schools across the State and found that a third of the students were black, a third Hispanic, and the remaining third were white. That represents pretty much the breakdown in my own school.

Our typical student is a 23-year-old minority woman who lives alone with two children, who attends school 24 hours a week, in

class 24 hours a week, and spends 10 hours a week commuting on public transportation.

I know something about traditional students. I have a son at Harvard, a freshman up there, who lives on the Yard and strolls to class 12 hours a week. He doesn't worry about making breakfast for anybody in the morning. He gets no financial aid, and I am not talking about getting him any.

But what I am saying is that my students don't have aspirations to become Supreme Court Justices. What they want is a respectable job in an office, they want a decent paycheck of their own, and they want to be able to raise their children without the benevolent interference of a bureaucrat. That is what they want, and I hope it is not an impossible dream for them.

What we are very concerned about is that if you can't help them get the marketable skills that they need, who can, and if you won't, who will?

By statute, the proprietary school students are prevented from using college work-study to pay for jobs at the educational institution. I am going to mention that a little more later.

Third, under point 4, recent action taken by GSL lenders and the State loan agencies during the past year has significantly decreased loan access for our students.

At point 5, just to give you a quick rundown, the proprietary sector receives 1.8 percent of college work-study funds, 12.5 percent of NDSL, 8.6 percent of SEOG. The administration's proposal to eliminate new funding for NDSL and SEOG would reduce the amount of campus-based money flowing to proprietary institutions from $61.6 million down to $15.3 million.

The aggregate percentage that our students would receive would decrease from 5.9 to 1.8 percent.

I mentioned college work-study earlier, and at point 6 we point out again that the primary reason for the lack of participation in the college work-study program is the prohibition in the law against using college work-study funds on our campuses.

If Congress decides to significantly increase the funding of the college work-study program as proposed, we urge that the proprietary student be given equity in the program.

AICS is very sensitive to your concerns about how the money would be used on campus, and we are very willing to discuss limitations such as using funds for library work, for student peer counseling, tutoring, remedial work.

On point 7, the significant increase in dependence on a work program such as college work-study handicaps low-income students by denying that student the time to prepare academically. Apparently there is a correlation between the low-income student and academic deficiencies.

I really would like to pose this question: How reasonable is it to expect one of our students, who attends class 24 hours a week, is on the subway 10 hours a week, raises two children alone, overcomes previous academic deficiencies, has homework, and then is expected to go to work off-campus when the unemployment rate for minorities in that age group is 30 to 50 percent? We don't think it is reasonable.

On point 8, the proposed elimination of new Federal capital contributions in NDSL would more adversely affect our students. The proprietary sector became eligible for NDSL in 1972 instead of when the program was established in 1958, so we have proportionately less funding.

On page 6 of the full testimony, we mention that currently in New York there are nine banks who have limited access to vocational school students. Since this was printed on Wednesday, I picked up five more names of banks, and we now have 12 savings banks, and two of the major banks who have limited access for vocational school students.

The major banks are Chase and Chemical. Citibank had been enacting a discriminatory policy, too, but they pulled back. But currently, Chase will not lend money to students in less than 2-year programs.

On point 9, of course, we are very pleased with the increase in the self-help grant maximum from $1,800 to $3,000. It is very attractive, but we are concerned that the administration has not provided sufficient funds to pay for the increase for all current recipients. The family contribution schedule to be submitted will undoubtedly increase the assessment rate on a student's or family's income.

Last year at my school, the average dependent student's family income in New York City was under $10,000. The independent student's average family income was approximately $3,600.

On point 10, requiring a remaining need test for all GSL borrowers will reduce the average loan size and thereby exacerbate the current difficulties that lending institutions have in selling their loan portfolios to the secondary market purchasers.

I refer you to page 7 of the full testimony. We mention the testimony of Mr. Ralph Olmo, who is the Comptroller of the Department of Education. He mentions, and we can confirm, that Sallie Mae is very reluctant to buy loan portfolios of less than $4,500. My average student borrows only $1,500 in a 2-year program. They will generally borrow an average of only $1500.

Given Sallie Mae's position, this will further tighten up GSL availability and will most adversely affect low-income students and also college freshmen. That is another group that is going to be adversely affected.

On point 11, on the education savings account, I can say that personally I think it is a great idea. I have a 13-year-old son who wants to follow in his brother's footsteps, but the savings account proposal is irrelevant to my students and of little practical help.

Finally, we would like to extend our special thanks to you, Mr. Simon. I understand that you will be introducing a joint resolution on National Business Education Week.

Mr. SIMON. It has been introduced, and I think my two colleagues here are cosponsors.

Ms. HANNAH. It has been introduced? That is terrific. Thank you very much. We really appreciate your support and the students appreciate it very much. Thank you.

[Prepared statement of Mary Ann Lauler follows:]

PREPARED STATEMENT OF MARY ANN LAWLOR, CHAIRMAN, BOARD OF DIRECTORS, DRAKE BUSINESS SCHOOLS, NEW YORK, N.Y.

SUMMARY OF TESTIMONY

1. The Association of Independent Colleges and Schools is an association of 571 diverse business schools and colleges and another 174 branch campuses, representing an estimated 430,000 students. Approximately 90 percent of AICS-accredited institutions are taxpaying business corporations.

2. The Administration's fiscal year 1984 budget proposals, unlike the previous two years, are sufficiently high enough to discuss the substantive recommendations. However, Congress should consider them as part of the reauthorization of the Higher Education Act and not as a part of the appropriations and budget process.

3. A major objective of the Congress regarding the HEA title IV programs should be stability. Constant change creates uncertainty for students, parents, and institutions.

4. The self-help grant proposal would create a threshold stumbling block to low-income students, particularly at proprietary institutions. Students attending proprietary institutions would be more adversely affected by the self-help requirement than their peers at non-profit institutions because (1) the proprietary sector serves a disproportionately large percentage of low-income students who have traditionally been unable to find personal funds or work to pay for a postsecondary education; (2) by statute, proprietary school students are prevented from using College Work-Study funds to pay for jobs at the education institution; (3) action taken by GSL lenders and state loan agencies during the past year has significantly reduced access to GSLs for these students.

5. The proprietary sector receives 1.8 percent of the College Work-Study funds distributed to institutions throughout the country; 12.5 percent of the NDSL funds; and 8.6 percent of the SEOG funds. The Administration's proposal to eliminate new funding for the NDSL and SEOG programs will reduce the amount of campus-based money flowing to proprietary institutions from $61.6 million to approximately $15.3 million. The aggregate percentage of campus-based money for proprietary institutions would decrease from 5.9 percent to only 1.8 percent.

6. The primary reason for the lack of participation in the CWS program by proprietary institutions is the prohibition against using funds for student work on campus. If the Congress decides to significantly increase funding of the CWS program, as proposed by the Administration, we urge that that proprietary school student be given equity in this program.

7. The significant increase in dependence on a work program, such as CWS, handicaps the low-income students by denying that student more time to prepare academically.

8. The proposed elimination of new federal capital contributions in the NDSL program would more adversely affect students attending proprietary institutions than those attending non-profit institutions in other sectors. The proprietary sector became eligible for NDSLs in 1972, instead of when the program was established in 1958, therefore, their revolving funds are not as large as other institutions. The increasing difficulty in obtaining GSLs, by vocational students makes the NDSL program even more important.

9. The proposal to increase the self-help grant maximum from $1800 to $3000 is attractive, however, the Administration has not provided sufficient funds to pay for the increase for all current recipients. The Family Contribution Schedule to be submitted to Congress by the Department of Education in April will undoubtedly increase the assessment rate on a student's or family's income.

10. Requiring remaining need for all GSL borrowers will reduce the average loan size and, thereby, exacerbate the current difficulties that lending institutions have in selling their loan portfolios to a secondary market purchaser. This will further tighten up GSL availability and will most adversely affect low-income students.

11. AICS supports the thrust of the Administration's proposal to establish an education savings account, but we believe that the Administration's proposal is more advantageous to middle- and upper-income families and does not have the incentives to attract the limited dollars that a low-income family would have to invest in an education savings account. An education savings account credit would be fairer to low-income families than is a tax deduction.

TESTIMONY

Mr. Chairman, Members of the Subcommittee, thank you for the opportunity to present our views on the budget and related legislative initiatives proposed by the

Reagan Administration in the area of student financial assistance. I am Mary Ann Lawlor, Chairman of the Board of Directors of the Drake Business Schools, New York, New York and Chairman of the Association of Independent Colleges and Schools (AICS) Government Relations Committee. With me are Stephen B. Friedheim, AICS President, and William C. Clohan, Jr., AICS General Counsel.

Although AICS has testified before this Subcommittee on many occasions in the past, I believe that it is important to explain to the Subcommittee members the types of institutions AICS represents, because some of the Administration's proposals would impact AICS students and institutions more than other sectors of higher education. The Association of Independent Colleges and Schools is an association of 571 diverse business schools and colleges and another 174 branch campuses. Our institutions range from business or specialized schools offering training of up to one year in length to junior and senior colleges offering recognized association and baccalaureate degrees. There are an estimated 430,000 students enrolled in these institutions representing a broad range of income and racial backgrounds. Approximately 90 percent of the AICS—accredited institutions are taxpaying business corporations.

Proprietary institutions have been particularly successful in training and retraining workers to provide skills for today's job market. This responsiveness to changes in technology and the marketplace is not only an objective; it is a matter of survival to the institution. The high job placement rates for our students evidence our institutions' success.

GENERAL REACTION TO ADMINISTRATION'S PROPOSALS

The Association of Independent Colleges and Schools commends the Reagan Administration for proposing a budget that is more in line with reality than was true in the previous two budget proposals. The Administration's fiscal year 1984 budget recommendation to freeze instead of cut spending on Higher Education Act title IV programs allows the Congress and the education community to focus more on the substance of the Administration's proposal than on the level of funding. For purposes of our testimony, I will not reiterate the specifics of the proposals, as they have been discussed in detail both this morning and at the March 1 hearing.

Before the Congress should consider whether they should adopt any of the substantive recommendations of the Administration, ACIS believes that it is important to ask the question whether changes ought to be made as a part of the budget or appropriations process. Since the 1976 Education Amendments, significant changes have been made to the Higher Education Act programs in every year except one. This climate of change has resulted in uncertainty to parents, students, and educational and financial institutions. With the expectation that this Subcommittee and the Congress will reauthorize the Higher Education Act during the next two years, we encourage Congress to consider the Administration's fiscal year 1984 proposals as "food for thought" for the reauthorization. There has not been adequate time for the education community and, we think, the Congress to adequately analyze the impact of the Administration's proposals on the students of this country.

In general, ACIS agrees with the objective of the Administration to simplfy the programs. We concur that the current programs are too complex and can be thoroughly streamlined. However, by changing programs which have been in effect for over 15 years, the distributional impact on the student population may be considerable. Each of the title IV programs have their own objectives and intended clientele. Even the perception that the Congress intends to change a title IV program abruptly may lead many students, particularly low-income students, not to apply for student assistance. Although enrollments are up at ACIS institutions due to the high employment placement opportunities, ACIS is concerned that the current decline nationwide in postsecondary attendance during the past year may have resulted, in part, from the belief by students that the Administration's proposals to cut student aid by 30 percent had already gone into effect. The Congress can signal its intent to be consistent by appropriating funds at least at the levels imposed by Omnibus Reconciliation Act of 1981. We commend the Education and Labor Committee for recommending last week to the Budget Committee a level of funding higher than the Reconciliation level.

ANALYSIS OF SPECIFIC STUDENT AID PROPOSALS

Self-help

The Administration states that their new proposals were based on "a new philosophy of student assistance which will emphasize student self-help through loans and

work." We anticipate, in the Family Contribution Schedule to be published soon, that they will also proposes that no longer will the Pell Grant be the base for assistance to a student to attend a postsecondary institution. Instead, the Administration would force a self-help component of 40 percent of educational costs or $800, whichever is greater, to be met before any student aid would be made available. What this discussion ignores, however, is the fact that the current Pell Grant program already assumes a certain level of expected family and student contribution in the needs analysis itself.

By requiring a self-help of 40 percent, or $800, the Administration's proposal, in fact, would add to the current requirement. In doing so, many low-income students would be unable to meet the 40 percent, or $800, requirement and, therefore, would be prevented from obtaining a postsecondary education. It is assumed that the self-help component could be made up of work, loans, and other current assets or income. In reality, we contend that this threshold would become a stumbling block to the primary students the federal student assistance programs seek to assist.

At Drake Business Schools, two-thirds of my student are minorities. In fact, according to the Occupational Education Data System (OEDS) analysis of the 1978–79 data of business students, approximately 66 percent of all students in New York attending proprietary business vocational schools were minorities. The "average" student at Drake is a 23 year-old mother of two, divorced or separated, who attends class for 24 hours each week and commutes to school via public transportation. She desperately wants to be financially independent, especially if she is currently receiving public assistance, and desperately wants a better life for her children.

I point out these statistics to show to you the composition of our students and the difficulties these students may have in securing the necessary funds to meet the self-help requirement. Most members of the Subcommittee are well aware of the fact that, according to the Bureau of Labor Statistics, the unemployment rate for blacks in the 16 to 19 year old range is 48 percent and in the 20 to 24 year old range is 30.6 percent. Expectations that these students will be able to find work to subsidize their education have no basis in fact.

What the Subcommittee members may not know is the special difficulties AICS and other proprietary school students would have in meeting the self-help requirement. The current title IV statute precludes these institutions from using College Work-Study (CSW) funds to pay for work done at the proprietary institution. Unlike non-profit institutions, where over 88 percent of the CWS money is used for jobs on campus, proprietary institutions must use all of their money for jobs at non-profit agencies off campus. Non-profit agencies must contribute 20 percent of a CWS student's pay in order for the student to participate in the CWS program. Given the lack of federal, state and local funds for non-profit agencies, few want to participate in the program. This disparate treatment significantly increases administrative costs for the program at proprietary institutions a fact noted in the recent Touche Ross study prepared for the National Commission on Student Financial Assistance. As could be expected, proprietary institutions receive less than 2 percent of all CWS funds appropriated by the federal government.

In addition to the special problems that proprietary school students have in obtaining CWS funds to meet the self-help requirement, proprietary schools students are hiving increasing difficulty obtaining access to Guaranteed Students Loans throughout the country. This lack of access forces them to either drop out of school or to increase their dependency on nonloan programs. For example, in the New York City area during the past nine months, I am aware of at least nine financial institutions which have decided to only provide GSL's to two- and four-year degree students. Chase Mnhattan, one of the nation's largest GSL lenders, prohibits lending to first-time borrowers who are in programs of less than two years in length. Citibank, also one of the largest lenders in the GSL program, last fall made a decision not to provide GSL's to students who were in short-term programs. Luckily, they have for the present rescinded that decision, and proprietary school students do have access at Citibank. This movement of GSL lenders to have access at Citibank. This movement of GSL lenders in and out of the program has a destabilizing effect on GSL availability and inhibits student participation in the program.

As another example of the difficulty proprietary school students have in obtaining GSL access, the Commonwealth of Kentucky has implemented new regulations which would cut off secondary market purchases of loans made by any lending institution whose aggregate default rate is greater than 10 percent. This new policy will undoubtedly have a chilling effect on lending to low-income and minority students, because these groups traditionally have had greater difficulty in repaying their loans and, therefore, higher default rates. It is also unfair to students and education institutions, because it penalizes those who have no responsibility for the disburse-

ment and collection of the GSLs which are in default. Increased credit information and required co-signers will be the first steps in making GSL borrowing more difficult for "high-risk" students who must have some type of vocational education to find not only meaningful employment but, in reality, any employment.

The future looks dim because lenders are becoming increasingly hesitant about lending to students whose average loan portfolio size would be small in comparison to the loan size of a student coming from a four-year institution. Mr. Ralph Olmo, Comptroller of the Department of Education, stated during his testimony in January before the National Commission on Student Financial Assistance that the secondary markets, both Sallie Mae and the state loan agencies, are hesitant to buy loans which are small and yet have the same administrative costs as large loans.

Campus-based programs

Based on information provided by AICS institutions for 1982, the following percentage of enrolled students receive federal title IV funds: College Work-Study—2 percent of enrollment; NDSL—7 percent; SEOG—8 percent; Pell Grants—39 percent; Insured Loans—27 percent. The proprietary sector as a whole receives 1.8 percent of the College Work-Study funds distributed to institutions throughout the country; 12.5 percent of the NDSL funds; and 8.6 percent of the SEOG funds (National Institute of Independent Colleges and Universities analysis, academic year 1982-83). As you can see, any change in federal policy which would shift funds from the higher-participation programs (NDSL, SEOG) to the lower-participation program (CWS) would significantly decrease the amount of campus-based money flowing to those institutions. Although 2,800 proprietary institutions currently participate in the Pell Grant program, only 440 participate in the College Work-Study program for reasons cited above.

Under the Reagan proposal, proprietary institutions would receive approximately $15.3 million campus-based program funds. This compares with the current amount of $61.6 million. The aggregate percentage of campus-based money would decrease from 5.9 percent to only 1.8 percent. Thus, AICS strongly objects to the proposal to shift significant campus-based funds to a program in which we are not equal partners. Should the Congress agree to significantly increase the appropriations for the College Work-Study program, we urge the Congress also to provide equitable treatment for proprietary school students by allowing those students to use their CWS funds on the campus of the proprietary institution. The traditional concept of the CWS program is that it is a student aid program and not a work program per se. The Congress made a conscious decision in the 1980 Education Amendments not to relate the type of work done by a student in the CWS program to the academic coursework that student was taking, as was proposed by a former member of this Subcommittee. The Cooperative Education program authorized by the Higher Education Act already closely ties work experience outside of the institution with the education being received at the institution.

In addition to the more specific adverse impact on students attending proprietary institutions, AICS has doubts as to whether existing jobs can absorb the proposed $310 million increase in CWS funds. Testimony received in 1979 by this Subcommittee indicated that, even at the $540 million level, there was a question as to whether that amount of funds could be absorbed.

There also are serious implications for the student of significantly increasing the work load of that student outside of the classroom. If the increased funds for the CWS student are to be used to meet the proposed self-help requirement, the increase in time spent outside the classroom in non-academic pursuits would handicap those students that the title IV programs are intended to help the most—low-income students. Evidence shows that the income level of a student's family is a good proxy for the academic preparation of a student—the lower the income, the more difficulty the student has with academics. Even if proprietary school students would be allowed to participate equitably with those students in the non-profit sector, our disproportionate high levels of low-income students would bear the brunt of the additional work required to receive CWS funds.

Students attending proprietary institutions would also be more adversely affected by the proposal to eliminate new federal capital contributions to the NDSL program than would students attending non-profit institutions. Although the Administration notes that the existing $500 million or more revolving fund would still be available to make NDSLs, the late entry (1972) of proprietary institutions into the program results in much smaller NDSL funds than exist at the non-profit institutions. As I noted before, the proprietary school student can no longer depend on being able to find a Guaranteed Student Loan because of the increasing restrictions imposed by lenders in making GSLs. Therefore, any proposal to significantly reduce the amount

of NDSL funds could not be supported by AICS, particularly unless a lender of last resort were assured for all proprietary school students throughout the country in the GSL program.

The greatest disadvantage of eliminating the SEOG program is that institutions would no longer be able to provide necessary funds to those students who have special circumstances and requirements, or who need money in addition to the Pell Grant in order to attend the postsecondary institutions. This lack of flexibility will never be compensated for by a Pell Grant or self-help grant program which basically allocates money based on an established formula.

Pell grants

At first glance, the proposal to increase the Pell Grant (or self-help grant) maximum from $1,800 to $3,000 is very attractive. However, when one realizes that only $294 million additional will be provided to make up this two-thirds increase in the grant maximum, one realizes that there must be significant alterations in other parts of the formula in order to stay within the relatively small Pell Grant funding increase. We anticipate that "the other shoe will drop" in April when the proposed Family Contribution Schedule will be submitted to the Congress by the Department of Education. Undoubtedly, the assessment rate imposed on a student's or family's income will have to be increased substantially in order to make up for the increase in the Pell Grant maximum for low-income students.

This effort to "rob Peter to pay Paul" will lead to a major contraction in the levels at which a student is eligible for a Pell Grant. Unfortunately, both Peter and Paul are in need of increased grant assistance in order to assure that they can meet the increased tuition costs caused by rampant inflation since the enactment of the Middle Income Student Assistance Act in 1978. Knowing the concern that the expected proposed Family Contribution Schedule is likely to create, we compliment this Subcommittee and the Congress for enacting into law an alternative Family Contribution Schedule so that uncertainty on the part of students about the Pell Grant program will not wreak havoc amog the students next year.

Guaranteed student loans

The Administration's proposal to require a needs analysis for all GSL borrowers will undoubtedly exacerbate the existing problem with lenders not making small loans. If, for example, because of the need analysis, a student's GSL eligibility were to be reduced from $2,500 to $1,500, it is very possible that a lending institution will not make that loan because they will be unable to sell it to a secondary market purchaser. Again, the result is that the low-income student will be most adversely affected by the proposal and potentially prevented from obatining a GSL to attend college.

EDUCATION SAVINGS ACCOUNT

While we support the thrust of the Administration's proposals to establish an education savings account, we believe that the result of the proposal will be to provide benefits only to middle- and upper-income students, in spite of the Administration's assertion that this proposal will make savings more attractive to lower-income families. Because the proposal involves a tax deduction instead of a tax credit, for tax purposes that the benefit will increase as one's adjusted gross income increases. If incentives are to be provided to low- and middle-income families, then Congress should give consideration to an education savings account credit to stimuate investment on the part of the student and parent.

Moreover, it is difficult for us to see how a family with an adjusted gross income of under $15,000 a year will have any remaining discretionary income to invest at all. If that family does have some discretionary income left over after other expenses are paid, it will be much more advantageous for tax purposes to invest some or all of the discretionary income, up to $2,000, in an Individual Retirement Account.

We urge this Committee and the other appropriate Committees of the Congress to continue to pursue the possibilities of an education savings account. We offer our services to assist in the development of such an account which truly influence the savings patterns of low- and middle-income families for their student's education. However, we do not see any account of this type ever taking the place of the current financial support provided by the title IV programs, and we urge Congress not to adopt such a program in lieu of the existing programs.

SUMMARY

The Administration's proposals are serious one and should be considered carefully by the Congress. The fact that the Administration's funding request is significantly higher than for the two previous years provides an environment in which these proposals can be taken seriously. We urge the Congress, though, not to act on these proposals as a part of the budget or appropriations process. They need careful review and should be considered in the context of the reauthorization of the Higher Education Act over the next several years. We hope that this Subcommittee will give particular attention to the special needs of students attending proprietary institutions and the disproportionate adverse impact of the Administration's proposals on these students.

Mr. SIMON. We thank all four of you. All 4 have been excellent witnesses, and I appreciate it.

You mentioned one point, Ms. Lawlor, that really has never been talked about in our subcommittee that I think is an important point, and that is that there is a limit to work. It sounds great but there are problems.

My first year of college, I worked 35 hours a week, but I didn't get much out of college in that first year. I am not sure I want to be encouraging too much of that.

Let me ask all four of you: There is a possibility we are going to have a few technical amendments that are going to have to be made to the Higher Education Act, and we are thinking about the possibility of some modification of the NDSL program.

At the present time, we have standards and the same standard is applied to Harvard that is applied to the community college in East St. Louis, Ill., as far as the default rate. If I may ask each of you: What kind of a default rate do you have on the NDSL loans, and any comments you might have about the NDSL program at this point.

Chancellor, we can start with you here.

Mr. LYONS. Yes; Mr. Chairman, at our institution, our default rate is somewhere around or just under 10 percent. We worked at it very hard.

But let me just comment that when you are dealing with low-income students, the way we are, it is not surprising to me that the default rates at a number of my institutions are where they are. For example, let me just give you some feeling, and I have this comment in my paper, about elimination of the Federal capital contribution to the NDSL program.

We are receiving today approximately 25 letters a week from students, from borrowers, who are unemployed and who are unable to pay. We also are receiving a substantial number of requests from people for hardship deferments and repayment extensions. These requests right now are so numerous that we are no longer able to predict what kind of collections we will have.

First of all, you have the problem of unemployment, the problem of the inability of people to pay, and the problem of people coming from family income backgrounds where there just is not enough money in most instances, really, to just make ends meet adequately.

So it seems to me that for institutions that serve large numbers of low-income students, there ought to be some provision in the legislation which gives those institutions a greater ability to deal with

that student population that a Havard or some other institution with small numbers of low-income students wouldn't have.

Mr. SIMON. Thank you. That is the very point we are taking a look at.

Mr. HALL. The default rate at Pikeville College is, I believe, somewhere in the vicinity of 7 to 8 percent. It has improved markedly since we have sent a number of these accounts over to collection agents. We have become much more aggressive in our effort to try to recover some of the funds that have been loaned out of the NDSL program.

That is not a pleasant thing to have to do, particularly in this economic climate, but nevertheless, I am strongly supportive of the notion that an institution should be motivated to recover the NDSL money just as it is motivated to recover its own loan funds which are made available and then recovered, hopefully.

The idea of these funds, becoming revolving loan funds at each institution, I think, is a very sound concept and I support that.

I am concerned about the prospect of raising the interest rate. I come back to Congressman Perkins' position earlier today with regard to moving it from 5 percent to 9 percent. I know that symmetry is a more comfortable environment within which to function, and 9 percent with GSL and 9 percent at NDSL makes everything easier in terms of tables and so forth, but I think the central thrust of the two loan programs is entirely different. I would be uncomfortable, I think, seeing the interest rate for NDSL go up to 9 percent.

I don't have any comments to make in terms of increasing the funding available. We use whatever is available from NDSL, supplemented by our students being eligible for the guaranteed student loan program, and then whatever is left we either have to loan out ourselves if we have the loan funds, or they have to find them from other sources.

Mr. SIMON. If I may interrupt you there, the NDSL program does give you a flexibility to deal with students that you don't have with most of the other programs.

Mr. HALL. Oh, yes. I know this is not part of the thrust of your question, sir, but so is the SEOG program. This college receives $25,000 in both the initial and continuing grant support for SEOG, but it helps 60 students. I have witnessed a student run away from Pikeville College simply because they were going to be $100 in debt—this was a 17-year-old girl—because of a $100 debt, and she never had two $5 bills to rub together, we had to arrest her because we were in loco parentis and could classify her as a runaway teenager minor. We brought her back with the State police assistance and she has completed her junior year at the college. She will graduate and receive her degree.

But I mention this because it is so different when you sit in this climate and you talk about $100 or $500 in the abstract, but when you live with it, as all of us do, in the reality of what a $100 bill means to some student who has never had two $5 bills, it is quite a different perspective. SEOG and NDSL are just terribly critical campus-based programs.

Mr. SIMON. Thank you. Ms. Lawlor?

Ms. LAWLOR. At my own institution, we get so little NDSL, we only made 23 NDSL loans to a student body of 2,000 last year, I think our default rate probably is in the 10-percent range.

If you talk to the bankers, as we did Wednesday when we went out to see the gentleman from Chase, Mr. Harrison, he thinks the profile of our students is so bad that they don't want to lend to them at all. So I think if we are talking about a 10 percent default rate, we should be very proud of the fact that we get 90 percent of the students to repay the loans under great hardship.

We have another problem if GSL dries up. We have very little NDSL.

Mr. SIMON. And the reason you do not get more NDSL funding is because you are proprietary institutions?

Ms. LAWLOR. Well, because we entered the program very late. As proprietary institutions, we were not eligible until 1972, and as a result we have disproportionately smaller amounts.

Ms. HANNAH. Mr. Chairman, our default rate is under 2 percent as a result of a very aggressive loan collection program throughout the State of Wisconsin. I think, nevertheless, I would hate to see the interest increased on the NDSL because I respect the distinction drawn by Mr. Perkins between those two loans programs.

We do have a large amount of NDSL funds. That interest does attract students and does make them able to go to the university when they would not otherwise be able to.

I am also increasingly convinced, I think, that the grant program should be considered more important these days in the hard economic situation—and I realize there is irony in this—than the loan program because I am concerned on a daily basis that students are incurring too much post-collegiate debt by virtue of taking out too many loans.

As the number of them having difficulty finding employment right after graduation grows, I think our default problems will grow and the ethical dilemma that they will face about loans becomes a national moral dilemma of some substance. I think it is wiser to muster our resources to make grants than it is to put the pressure on these people by extending loans.

I cannot draw a direct relationship between the increase in student alcoholism and the increase in concern about loan indebtedness, but I do know that the professionals in our counseling service feel that there is a connection between those two and that the residence hall directors in our dormitories believe that there is a connection because students are very concerned about being in debt and having their families in debt when they may not be able to find jobs, and are they studying the right thing? Should they forget studying music and study business, if that is where the money is going to be, even though they hate business?

It is laying a very heavy burden on these students by putting too much emphasis on loans and it makes me more supportive of the grant program.

Mr. SIMON. Thank you. Mr. Owens.

Mr. OWENS. Just one question to Ms. Lawlor.

The nature of your programs is such that it would seem to me they would qualify as other kinds of training programs. Do you

have any connection with the training programs administered by the Department of Labor, any private sector training programs?

Ms. LAWLOR. No, we don't. Our students are eligible for Pell and for TAP, but we are not involved in, for example, the old CETA program.

Mr. OWENS. No private-sector-partnership programs?

Mr. CLOHAN. Mr. Owens, if I could comment, AICS institutions, many of them are eligible and do participate in the Joint Training Partnership Act, or the successor to CETA.

Mr. SIMON. Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman.

I also join in thanking all of you for some excellent statements.

If I can revert for one second, I couldn't help but think, Ms. Lawlor, while you were commenting about some of the problems, that you ought to suggest to Senator Dole the problems with Chase, and Chemical, and other banks in access to GSL in his campaign to improve the social conscience of the Banking Committee. I think he would love to hear the information that you have brought to us.

The question I would like to ask, many of you were here for Secretary Bell's testimony this morning where he, in essence, pleaded with our committee that regardless of what else we do with our budget recommendations, that we do increase funding for college work-study. I would be interested in where you rank that in terms of your priorities for increases in the different Government funding programs.

Second, to respond to an allegation made yesterday in a meeting with Dr. Elmendorf by one of our colleagues in Congress, in which the colleague said: "Frankly, I see too many students at colleges in my district using work-study money to water plants and those kinds of things which have nothing to do with educational advancement," do you not only have the need, but do you have the need in academic improvement type of circumstances or employment for the work-study program? I would be interested in all your comments on that.

Ms. HANNAH. Mr. Gunderson, I will take the lead on that.

I have already said that we have twice as many students eligible for work-study as now get it so we could use more work-study on our campus and we do have work opportunities available if there were more work-study money, but not in such disproportion as Secretary Bell has recommended it and not at the loss of the SEOG program.

The grant program, as I have already said, I think, is more important.

Conclusions are also sometimes erroneous, as people watch what work-study people are doing on the campus. Your example of watering plants is a beautiful one. We have one of the most beautiful campuses in Wisconsin. It has nice foliage, it has the best-trimmed lawns in the State. That work is done by students. Most of those students are botany students who study the plants, who lay out the landscaping plans, who work with an outstanding botany professor, Marcus Faye, who has been at the university since the 1940's, and they are learning their trade in the process of working at the university.

I think it is a very good example of work-study, but I know that there are people in the city of Eau Claire who think students are watering plants. That really would be true of many of the other kinds of things that go on at the university. I think it is a wonderful opportunity for faculty and staff to work together, and I don't think we have students doing anything that is not a learning experience appropriate to college experience.

Ms. LAWLOR. Well, I mentioned before that we have a problem in that we can't use college work-study money on campus. If we could, I think that we would use it for student support services such as student academic counseling and other peer services.

Currently, those schools that do get college work-study are obliged to find work for students at nonprofit organizations off campus, and sometimes this is a serious problem because the nonprofit organizations have their own budget constraints and are not willing to come up with the 20-percent matching funds.

There was a study by Touche Ross, which is mentioned on page 6 of our testimony, that the disparate treatment significantly increases the administrative costs for the program at proprietary institutions. As a result, that is one of the reasons we have not been very vociferous in trying to increase the 2 percent that we already have. It is expensive for us to administer the program the way it is now.

Mr. SIMON. Dr. Hall.

Mr. HALL. I would support the increased work-study funds with two conditions or qualifications: One, that there is realistically that kind of work available. It is marvelous to say let's do that, and the point that you raised, sir, about how many hours can a student work and still be a responsible and effective student, I think, is a very germane question to consider.

But are there jobs available, I think, is an important consideration.

And then, also, in the final analysis, is the college itself capable of coming up with that 20-percent share, which is going to be, if it is increased, a greater expense to the school.

As I mentioned briefly in my testimony, we set up a work fund this past year, in our current year, of $75,000 to provide work opportunities for middle-class students who were automatically excluded from the work-study program by definition of need. That money has been consumed and was consumed very rapidly.

One of the experiences that we have, and I don't know how common this is but it is certainly germane to the discussion, is that the disadvantaged student, the low-income, disadvantaged student very often brings to his initial or her initial college experience less skill, less basic skill in arithmetic ability and reading comprehension and writing and, therefore, less of a skill in contributing effectively to a work environment.

The middle-income student, by definition, more frequently comes better prepared and better able to become a lab assistant, to do something more creative, more imaginative, more demanding.

There is no question that some of the money goes to pay for noncollege related employment, if you will, but nevertheless, we have found that relationship to exist. The one thing we have done which has worked, and for that reason, if for no other reason, work-study

to us is extremely important, is that we demand that our students work for every dollar that they earn. If they don't work, they don't get paid, and this brings them up mighty short.

It is a very good learning experience for them when you come from what is tantamount to a welfare society in many respects back in the mountains where public assistance is the second largest industry to coal. These people have been accustomed to getting handouts, and all of a sudden they are being required to work. They aren't allowed to do homework and get paid for it, and when it doesn't show up in their paycheck they are learning something.

From that standpoint, it is a good experience, a sound program, and with those qualifications, I would support an increase, but I would hate to see SEOG get zeroed out in the process for the reasons that were already mentioned

Mr. LYONS. Mr. Chairman, I would also like to comment, and I think I would share the views that have been expressed.

I don't see an absolute increase in the level of college work-study funding as being one of the greatest priorities in student funding for fiscal year 1984. I see the SEOG program, the SSIG and NDSL as ranking ahead of an increase in funding for college work-study. Now, I am not opposed to an increase in college work-study, but at my institution, we are spending this year over $600,000 in SEOG, and coupled with the Pell grant money that our students receive, these two programs alone support about 50 percent of the cost of education for our students.

So I don't see increasing college work-study as a substitute for SEOG, SSIG, and NDSL. I think it would be unfortunate if we eliminated the Federal capital contribution of the NDSL program.

Now, as to the matching portion, I would hope that if work-study were increased that some consideration would be given to the requirement for matching that portion over the level of funding at the present time.

I also would not like to see a work-study increase as a means of saying to colleges and universities that students ought to be required to work more hours in order to make up for the grant funds that are zeroed in other programs. I think that would also be self-defeating in terms of our ability to educate students.

Finally, I would say that there is nothing wrong with watering plants. I find something very nice about a clean and esthetically pleasing environment in which to study and learn. The growing of plants and shrubbery, I think, is a part of helping to create that esthetically pleasing environment.

People who come on my campus will find students working with plants. They may be pushing lawnmowers. They may be doing some other things. We have a natural plant preserve on my campus which has just about every natural plant that grows in the wild in North Carolina. We are developing that under the aegis of our professors in botany. So they may be pushing lawnmowers, they may be doing some other things that some people might feel the students ought not to do, but this is a part of education.

Moreover, I think any job, whether it is one where you get your hands dirty or whether it is one where you use a typewriter, that gives a student an opportunity and, indeed, requires a student to learn what it is to work and develop good work habits so that they

will be better prepared when they go out in the marketplace, is a good experience for that student, whether it is watering plants, pushing lawnmowers, or typing.

Mr. SIMON. We thank you very, very much for your excellent testimony and also for your patience in tolerating our situation here. We appreciate your being here.

Ms. HANNAH. Mr. Simon, I think we are unanimous about this. Whatever you do, try to do it early. The burnout in our financial aid office is the highest in the university because these things get delayed and delayed and delayed, and then they have to be packaged and repackaged until we go insane. So we would really appreciate an early resolution.

Mr. SIMON. We are trying to move in that direction and push the Department. This last year, as you know, on the Pell grant we put in the statute that if they don't come up with regulations by a certain period, automatically the statute takes over, and we are going to try and push in this direction.

Let me just add one other thing, because all four of you have been excellent witnesses.

We are going to be reauthorizing the Higher Education Act by 1985. By the end of this year, I hope to have some kind of a rough draft. We are interested in where we ought to be going, what we ought to be doing.

The four of you are all good idea people. I would be interested in any suggestions that you might have and would like to get them, say, by the end of September.

Thank you very much.

Our final panel will be Marvin Peterson, Linda Flores, and Larry Rincones.

First we will call on Marvin Peterson, president of the National Association of Veterans Program Administrators and director of Veterans Programs at Weber State University.

If I may, I will apologize. We have run into the problem where we marked up a school lunch bill that has interfered with our schedule. I have to be at a luncheon very shortly and I am going to ask my colleague from New York to preside for the balance of the hearing.

We will enter your full statements in the record. If you can keep them brief, it will in this case not accommodate me so much as my colleague, Mr. Owens.

STATEMENTS OF MARVIN PETERSON, PRESIDENT, NATIONAL ASSOCIATION OF VETERANS PROGRAM ADMINISTRATORS

Mr. PETERSON. Thank you, Mr. Chairman.

I appreciate very much the opportunity of being here today. I would like to say at the outset, for the 225,000 veterans who are represented in the VCIP program, they and we, especially, as administrators of those programs, thank you for your sincere dedication and forwarding the thesis that veterans are important and that this program is important also.

I would like to compliment Maryln McAdam. She is a sincerely dedicated and empathetic employee of the subcommittee. I am sure

you know that, but we appreciate her for the time she takes with us. She offers us a great amount of assistance.

I am going to make this very brief because you indicated that all testimony would be entered into the record.

We are supposedly receiving this year $3.8 million if this program survives. This is down $1.6 million from last year. Now, that may seem a very insignificant amount to this committee or to Washington in general, but it is very significant to veterans.

The National Association of Veterans Program Administrators sees three serious consequences that will evolve out of cutting this money out for the coming year, and if the 1984 zero recommendation goes through, it will be very devastating.

Three points: We are going to lose some very valuable services to veterans. I noticed in Secretary Bell's case he indicated there were 133,000 veterans who were receiving services last year, although the figures state that there were over 225,000 receiving these services, and President Reagan indicates there are over 558,000 who will be receiving benefits next year in the training program.

If this program is cut out, we are going to lose a network of dedicated veteran program personnel administrators who could provide a valuable tool in assisting veterans to be trained in needed skills that could be paid for by their GI bill. Believe it or not, there are many veterans still out there on the scene who have no idea that they have veterans' benefits left, and one of the mandates of VCIP legislation is that we seek these veterans out and let them know of their opportunities under the GI bill. We try very hard to get them in a program that will be productive not only to them but to the institution and, of course, to the private sector that is going to employ those veterans who are trained.

There is one other important aspect of our offices on campus that I think could end up saving a lot of money for the Federal Government if we are to continue. In our offices on the campuses, we are required by the Veterans' Administration to certify every veteran who attends our institution, to certify to the Veterans' Administration that they are indeed going to class and they are accomplishing something in those classes, and that they have an objective in mind that they are trying to reach, and we help them to reach it.

Now, this certification function is analogous to the one that Chairman Simon made a statement about recently where he wanted the Federal Government to check the registration of aid recipients, that is, the Selective Service registration, in order for them to receive grants-in-aid. If they were not registered, they shouldn't get grants-in-aid.

He feels very definitely that that program belongs with the Federal Government and not with the institutions. One of the things that we have long argued is that as veteran program administrators, we spend much of our time working with and for the Veterans' Administration doing the same thing. Now, if we are terminated and are not able to continue our programs on the college campuses, the overpayments to veterans who are receiving GI bill benefits could skyrocket immensely.

Let me just preface that by saying the overpayment to veterans who were attending colleges last year was somewhere in excess of

$400 million. That means that when a veteran changes his program from full time to less than full time, or drops out of school, if there isn't an office on campus to note this and let the Veterans' Administration know it, then that particular person would continue to receive payments. Then the machinery of the Federal Government would have to be put into effect to reclaim and get this money back.

With our offices gone, and they will go because 650 of them disappeared last year with the cutting back of the funds from $8 million to $4.6 million, as a result of that the overpayment problem has remained somewhat static. It hasn't reduced. We feel it is remaining static because the trained personnel on those college campuses are not there to certify veterans, they have gone, and as a result of that, overpayments are increasing.

If we are around, we can very definitely decrease that amount because we can report in a timely manner to the Veterans' Administration those people who are not deserving of the money.

In summary, we believe that our funding should be returned to the $4.8 million figure by a supplemental appropriation, rather than eliminating VCIP funding entirely. We can, in fact, save the Federal Government millions of dollars in overpayments while continuing to provide much needed and valuable services to veterans on our campuses.

It is our hope that Congress will see the need to continue this vital program to the end of its authorization period. It is cost effective and it will very definitely help reduce the overpayments and provide the much needed services that veterans are seeking who are trying to go to school.

Thank you.

[Prepared statement of Marvin Peterson follows:]

PREPARED STATEMENT OF MARVIN J. PETERSON, PRESIDENT, NATIONAL ASSOCIATION OF VETERANS PROGRAM ADMINISTRATORS

Mr. Chairman and other distinguished members, it is a privilege and opportunity for me to be here today representing the National Association of Veterans Program Administrators (NAVPA), and to address you with our concerns.

By way of introduction, my name is Marvin J. Peterson and I am currently president of NAVPA. It has been my privilege to serve in this position for five different terms. I have chaired five National NAVPA Conventions and have served on the Veterans Administrator's Advisory Committee on Education and rehabilitation for three years. I've acted as an advisor to HEW Undersecretary's Task Force on Veterans. I have also served on the following committees: National Academy of Public Administration Advisory Committee, Washington, D.C.; Council of Vietnam Veterans, Inc. and the Center for Policy Research, Inc. Advisory Committee, New York. I have been an integral part of programs pertaining to veterans on the college, local, and state levels for over ten years. Therefore, I am acutely aware of the value of the Veterans Cost of Instruction Payments Program (VCIP), administered by the Department of Education. It has provided excellent services for veterans. I have come to testify to this fact today.

Recently we received notification that VCIP had been appropriated 3 million dollars for fiscal year 1983—a reduction of 1.8 million dollars from the previous year. The money was to be allocated to approxmately 900 institutions presently serving more than 225,000 veterans and dependants who are pursuing educational and vocational training programs on their campuses. Unfortunately we have now been informed that VCIP funding has been designated for rescission in fiscal year 1983 and recommended for zero funding in fiscal year 1984; the final year of the program's authorization. Apparently, this recommendation by the Department of Education has been made because of the decline in the number of veterans who will be enroll-

ing in colleges, and the feeling that the 3 million dollar appropriation cannot adequately fulfill the mandates of the program.

Figures just released by the Veterans Administration (VA) as part of President Reagan's latest budget proposal reveal that in fiscal year 1984 there will still be some 553,300 veterans who are expected to use their G.I. Bill educational benefits. This figure is down from the 683,400 who used benefits in fiscal year 1982.

Certainly, the 225,000 veterans now receiving G.I. benefits and who are receiving services provided by the VCIP institutions should continue to receive the same assistance afforded their peers who have proceeded them. There are many unemployed veterans who still remain unaware that they have any veterans benefits available to them to help offset their lack of education an training. The VCIP program effectively assists this group.

One of the problems with unemployment in our nation today is the lack of skilled workers to fill the available slots in the job market. By coincidence, one of VCIP's main responsibilities is to seek out these veterans and assist them in enrolling in a meaningful program. This will hopefully benefit both the veteran and the economy.

Although our 3 million dollar allocation is very insignificant in the total educational budget outlay, it is quite significant to those veterans who are recipients of the services provided by these funds on college campuses. In addition, it is very significant to the private sector who is desperately seeking trained personnel. Dollar for dollar this program is probably one of the most cost effective programs ever administered in the Department of Education. Furthermore, there are no indirect costs charged by the colleges—all financial awards which are made to schools through VCIP directly benefit veterans.

Another important aspect of this continuance of VCIP is that a network of dedicated and trained personnel located in these institutions can continue with their inter-agency linkage to those units of the private sector, as well as the local, state, and federal government agencies who offer assistance to veterans. This network could also be effectively utilized in the future, after the present authorization period. giving assistance with initial training and retraining of veterans for future employment. This is another story, and needs to be discussed with the appropriate Congressional committee at a later time. If funding of VCIP is continued in fiscal year 1983, this extremely important network will be saved.

The colleges themselves have also given substantial financial support to their OVA offices from state monies. This, of course, has enhanced the VCIP program. It is important to note that one of the mandates of VCIP legislation states that any institution accepting money from the Department of Education for VCIP, also agrees to maintain a visible office on campus from which to serve veterans. Without VCIP funding, NAVPA is concerned that strained college budgets would precipitate the closure of these offices. in the OVA offices, most VCIP coordinators act as the VA certifying official. They handle all the certification of enrollments of eligible veterans and other dependants to the Regional Office's of the Veterans Administration, certifying that the veteran is, indeed, enrolled in viable classes and is in pursuit of an objective. OVA personnel have a tremendous responsibility to track changes in the veterans program, noting increases or reductions in credit hours, duplication of classes, terminations of enrollment, etc. They then promptly notify the VA for corrective action. This timely reporting consequently reduces overpayments to veterans.

The problem with overpayments is an extremely important issue. A case in point is the report issued by the Controller General of the United States in 1976, MWD-76-109. This report was very critical of the VA concerning the problem with overpayments to veterans attending school under the G.I. Bill. At that time, the overpayments were in excess of 400 million dollars and had previously been over one billion dollars. The report clearly pointed out that each school's accurate and prompt reporting was and is a major factor in reducing overpayments.

From past experience and with awareness of the tight budget situation in all institutions today, it would appear that most OVA offices will surely disappear when the VCIP funding is terminated. Certification functions would then be simply relagated to a clerk in the Registrar's Office, and other services would be terminated. Because of the myriads of paperwork required by the VA, that person's ability to efficiently handle the total responsibilities of certification and subsequent monitoring of the veteran student's academic progress would be impossible. If this occurs, overpayments will unavoidably increase. This will automatically create a new crisis for the Federal Government, since they will have no alternative but to initiate the essential machinery to collect the overpayments from the veteran; in addition, regulations require that the VA will also have to assess liability for these overpayments to the institutions. Since most institutions will likely refuse to pay the liability, the

resultant litigation will be both time-consuming and costly, not only to the government but also to the institution. Legal services will become necessary in order to defend against the VA assessment.

Congress has funded the VCIP program through the Department of Education since 1973. During the peak veteran enrollment period, over 1500 institutions were awarded a pro rata share of 25 million dollars to handle the services provided to veterans. These 1500 institutions comprised the bulk of the schools who were enrolling veterans. As VCIP payments have gradually been reduced to a low of 4.8 million in fiscal year 1981, about 650 institutions have not been funded and have dropped out of the VCIP network. We believe that this has substantially contributed to the overpayment problem remaining somewhat static over the last few years. The primary reason for this has been because of the reduced efficiency in the certifiation monitoring functions as the schools closed down their OVA offices when VCIP funds were reduced.

In summary, NAVPA believes that our funding should be returned to the 4.8 million figure by a supplemental appropriation, rather than eliminating VCIP funding entirely. We can, in fact, possibly save the Federal Government millions of dollars in overpayments while continuing to provide much needed services to veterans. It is our hope that Congress will see the need to continue this vital program. It is cost effective and will help in the reduction of overpayments to veterans while providing needed services.

Thank you very much for your time. If there are any questions, I would be happy to respond to them.

Mr. OWENS [presiding]. Thank you very much, Mr. Peterson.

Ms. Linda Flores, executive director of the Council on Legal Education Opportunity is next.

STATEMENT OF LINDA FLORES, EXECUTIVE DIRECTOR, COUNCIL ON LEGAL EDUCATION OPPORTUNITY

Ms. FLORES. Good afternoon.

It is a privilege and an honor to appear before this subcommittee today.

As indicated, I am Linda Flores, the executive director of the Council on Legal Education Opportunity, and perhaps more significantly, a CLEO fellow. I am here to discuss the program's fiscal posture for fiscal years 1983 and 1984 and those factors which make this program so important to the Nation and the CLEO fellows who participate in it.

Although this subcommittee is familiar with the program, it is nonetheless important to discuss CLEO's vital role in providing continued access to the legal profession for the economically disadvantaged and the need for continued Federal funding.

While minority access to legal education has increased dramatically since 1968 when the program began, meaningful access to graduate and professional opportunity by many disadvantaged Americans continues to be an elusive goal.

The CLEO program seeks to reduce this under-representation of minority and economically disadvantaged groups within the legal profession by providing an alternate mechanism for assessing the potential of each program participant for the study of law within the law school environment.

Thus, the program is designed to serve those persons who aspire and are qualified to enter the legal profession but who, because of substantial economic deficiency and marginal admissions credentials, may be unable to gain admission to law school under traditional admissions criteria.

The program identifies qualified law school candidates and provides the opportunity for law school matriculation by conducting

seven academic summer institutes for law school candidates and providing annual fellowships for successful institute participants.

The institutes mirror the law school experience by providing a 6-week intensive study program in legal analysis and law development. The curriculum emphasizes abstract thinking, legal research, and legal writing techniques. The institutes are staffed by regular law faculty whose primary responsibility during the institute is to evaluate each student's potential for successfully mastering the law school curriculum.

The financial component of the program is provided by way of fellowships in the amount of $1,000 a year for each successful CLEO student. The provision of the stipend is contingent upon satisfaction of several conditions, full-time enrollment at an ABA-approved law school in the fall term immediately following the institute, and the maintenance of good standing status throughout the duration of the grant.

Since its inception, CLEO has complied with the three-pronged test set forth by the administration for continued Federal support of worthwhile programs, namely, demonstrated success, fiscal integrity, and substantial elements of volunteerism in the program.

CLEO is one of the few federally funded programs of its type which has compiled substantial documentation of the program's overwhelming success. Since 1968, CLEO has provided an opportunity for law study to some 3,200 students. Available data clearly demonstrates that CLEO fellows have attained an impressive record of achievement, including performance within law school, Bar performance, and most importantly, the employment activities of the program's graduates.

The program has produced approximately 1,800 law school graduates involved in a broad spectrum of legal and law-related activities, including judges, State representatives, law professors, executive administrators in various fields, congressional staff, and others. Thus, the CLEO model of academic and financial support is one that works.

The program is also cost effective. While many programs have suffered substantial cost increases over the years, the CLEO program has been a rare exception. In the last 8 years, the program has functioned with virtually no increase in cost to the Federal Government. Judicious cost-saving measures have been implemented over the past several years, inclulding executive staff salary freezes and reduction in program staff. Once staffed by 11 employees, the program now operates with a dedicated, full-time staff of 6. A careful review of the program's budget already reveals a bare-bones operation.

In addition, the profession has done its share. The ABA has been a principal contributor in its dual capacity as one of CLEO's sponsoring organizations and as an administrative conduit for the program funding from the Federal Government. Also, the Law School Admission Council has provided funds to offset emergency postage and printing costs of the program in a spiraling economy.

The unchanged annual stipend of $1,000 for each successful institute participant provides a minimum of Federal support for the disadvantaged students the program serves. Other federally funded graduate and professional programs, such as GPOP, public service

and mining fellowships, have provided stipend assistance of minimally $4,200 per year, with institutional support components as well.

It was to correct this disparity in assistance, coupled with the program's impressive record of achievement, which encouraged Congress to amend CLEO's legislation to provide new appropriation ceilings for CLEO under the reauthorized Higher Education Act of 1965, as amended.

The final prong of the administration's test has also been met. Since CLEO's inception, the Federal support has served as seed money, generating the revenues necessary for conducting of the summer institutes from the law school community. Initially, the non-Federal share represented between 20 to 30 percent of the total summer institute costs.

However, over the last several years, the effects of inflation on the cost of legal education have thrust an even greater share of the institute's operating cost upon the law school. With fixed Federal support, the law school community now absorbs approximately 60 percent of the institute's costs as a demonstration of commitment to the program.

The law schools, without Federal assistance, cannot maintain the academic institutes while they, themselves, face reduced education budgets.

At a time when legal education is itself in a difficult fiscal situation, it is extremely important to realize that the $1 million of annual Federal support for this program generates as much as $3 million in cash and services annually from the law schools. It is unlikely that these funds will continue to be forthcoming without the catalyst provided by CLEO.

The elimination of all Federal support to CLEO in fiscal years 1983 and 1984 will have an adverse impact on the program's continued viability and assumes symbolic proportions. The proposed cuts would have the greatest immediate impact on the CLEO fellows presently enrolled in law school. It is unlikely that even the modest amount represented by the CLEO fellowship award can be recouped through alternative sources of financial support. For most CLEO students, the $1,000 stipend plus corollary tuition scholarships and loans means the difference between attending or not attending law school.

Although the administration has justified the elimination of funding on the perceived ability of the program to attract private dollars, the proposed elimination of Federal support would in fact serve to cripple the pending fund-raising initiative directed at CLEO alumni, corporations, law firms, and foundations to increase the small amount of the fellowship presently awarded to program graduates.

In this instance, Federal support and partnership with the private sector in CLEO's fund raising is a necessary prerequisite. The Federal Government has made a major commitment in the last decade to the cause of increasing educational opportunity to the poor and disadvantaged groups within our society. This is an important commitment not only in terms of fairness, but also in terms of wise allocation of resources.

Compared to many Federal support programs, CLEO is impressive because the payoff is enormous, concrete, clear and quick. The modest Federal support is matched several times by the substantial voluntary contributions of the law school community and is repaid to the Government many times over in higher taxes from individuals and in services to their respective communities.

Recognizing that there are current demands on the Federal purse that call for fiscal integrity, the very small amount required for CLEO can bestow huge dividends for the future.

Thank you for your time.

[Prepared statement of Linda Flores follows:]

PREPARED STATEMENT OF LINDA FLORES, EXECUTIVE DIRECTOR, COUNCIL ON LEGAL EDUCATION OPPORTUNITY

Good morning, I am Linda Flores. I appear before you today in my capacity as both the Executive Director of the Council on Legal Education Opportunity (CLEO) and, perhaps more significantly, as a CLEO fellow, to discuss the program's fiscal posture for fiscal year 1983 and 1984. And, to address factors which make this program so important to the Nation and the CLEO fellows who participate in it. Although this Subcommittee if familiar with the program's purposes and objectives, it is nonetheless important for this Subcommittee to have a complete understanding of CLEO's vital role in providing continued access to the legal profession for the economically disadvantaged and why, in this era of reduced Federal spending, Congress should nevertheless continue its support of CLEO as sound financial policy.

CLEO BACKGROUND

The Council on Legal Education Opportunity, a joint program of three national bar associations and two organizations representing legal education and accreditation, was formed with both Federal Government and private financial support in 1968. The CLEO program was created to redress the dramatic underrepresentation of minority and economically disadvantaged groups within the legal profession. The concerns of 1968 were concrete: less than 1 percent of the lawyers of this country were Black and in some States there were more than 30,000 Black residents for each Black lawyer; and the comparative figures for other minority and disadvantaged groups were even more discouraging. Many people realized then that social unrest of the 60's and other troubles in our society would not be resolved until all segments of American society had ready access to the means for peaceful dispute resolution through the legal system, and representation in the decision-making arenas of society. And while there is evidence that minority group access to legal education has increased dramatically since 1968 in contrast to previous levels, is still appears that meaningful access to graduate and professional opportunity by disadvantaged Americans continues to be an elusive goal. The goal of greater economic and political participation in the mainstream of society remains an unrealized dream for many. The 1982 Annual Survey on Current Population Statistics of the Bureau of the Census reports that of 606,000 lawyers in the United States, only 5.6 percent are minority attorneys. When one considers the fact that the number of all minority students enrolled in law schools has stabilized at approximately 8 percent over the last five years, there is little doubt that the disparity which caused CLEO's inception in 1968, as yet, has not been sufficiently ameliorated to warrant the termination of the program.

Furthermore, disadvantaged groups, as a while (the current CLEO target population), contend that higher education has proven to be a more effective vehicle than most for obtaining a more equitable distribution of political influence. This is so simply because those persons most involved in the decision-making process of this country are, themselves, products of the higher education system. This phenomenon is particularly germane to the legal profession, given its role within the country's decision-making process generally and its historic lack of accessibility by those representing the interests of the disadvantaged. The profession's impact on the formation of national policy is widely conceded because of the relationship of lawyers to all three branches of Government, comprising almost exclusively the judicial, and significant percentage of both the legislative and executive branches.

The CLEO program seeks to reduce the underrepresentation of minority and economically disadvantaged groups within the legal profession by providing an alter-

nate mechanism for assessing, within the law school environment itself, the potential of each program participant for the study of law. Thus, the program is designed to serve those persons who aspire and are qualified to enter the legal profession but who, because of substantial economic deficiency and marginal admission credentials may be unable to gain admission to law school under traditional admission criteria which may conceal as much talent as they disclose.

The program achieves its goal of identifying qualified law school candidates and providing the opportunity for law school matriculation via the operation of academic summer institutes for prospective law students and the provision of annual fellowships.

The academic component of the program is administered by seven (7) annual regional summer institutes located across the country, sponsored jointly by CLEO and regional consortia of ABA-accredited law schools. The summer institutes are based upon the premise that significant numbers of economically and educationally disadvantaged students who would be excluded from legal education through the use of traditional measures of aptitude can, with financial and academic support, successfully negotiate the law school curriculum. Accordingly, the academic component of the institutes has been structured with the following goals in mind: (1) to give the students insight into legal analysis and methodology, (2) to increase the legal writing skills of students by identifying areas of difficulty and providing developmental assistance; and (3) to facilitate student intellectual and psychological adjustment to the ambiguities inherent in the "law school method." These institutes mirror the law school experience by providing a six-week intensive study program in legal analysis and law development and emphasize abstract thinking, legal research and legal writing techniques. The institutes are staffed by regular law faculty whose primary responsibility during the institute is to evaluate each student's potential for successfully mastering the law school curriculum. Students who successfully demonstrate this potential are provided law school placement assistance and an annual stipend.

The financial component of the program is provided by way of fellowships in the amount of $1,000.00 a year for each successful CLEO student. The provision of the stipend is contingent upon the satisfaction of several conditions: full-time enrollment at an ABA-accredited law school in the fall term immediately following the institute and the maintenance of "good standing" status throughout the duration of the grant. Presently, over $550,000.00 annually is provided by CLEO to its Fellows enrolled in law school.

FISCAL YEAR 1983 AND 1984 BUDGET RECOMMENDATIONS

Since its inception, CLEO has complied with the three-pronged test set forth by the Administration for continued federal support of worthwhile programs: (1) demonstrated success; (2) fiscal integrity; and (3) substantial elements of voluntarism in the program.

CLEO is one of the few federally-funded programs of its type which has compiled substantial documentation of the program's overwhelming success. Since 1968, CLEO has provided an opportunity for law study to some 3,203 students. Available data clearly and convincingly demonstrates that CLEO Fellows have attained an impressive record of achievement by any measure, including performance within the academic arena of law school, bar performance, and most importantly, the employment activities of the program's graduates (See Appendix for detailed summary of the CLEO Fellows' performance data). The program has produced approximately 1,800 law school graduates involved in a broad spectrum of legal and law-related activities, including lawyers (public interest, private, corporate); judges; a state representative; law professors; executive administrators in various fields; Congressional staff, etc. The net result of the program has been increased access to the legal system and tot he decision-making machinery of the country by those who have been historically disenfranchised for reason of race and/or economic status. Thus, the CLEO model of academic and financial support is one that works!

The Program is cost-effective. While many programs have suffered substantial cost increases over the years, the CLEO program has been a rare exception. In the last eight (8) years, the program has continued to service successfully its disadvantaged student population with virtually no increase in cost to the federal government. Judicious cost-saving measures have been implemented over the past several years with an eye toward fiscal austerity, including executive staff salary freezes and significant reduction in program staff; once staffed by eleven employees, the program now operates with a dedicated staff of five. A careful review of the program's budget already reveals a "bare-bones" operation.

In addition, the ABA has for years been a principal contributor in its dual capacity as one of CLEO's sponsoring organizations and administrative conduit for the program's funding from the federal government. The ABA contributes annually some $22,000.00 to the program's operation and in fiscal year 1982, the ABA contributed some $62,000 to address unanticipated financial obligations unmet by any other funding source. Indeed, additional funding in 1980 from the Law School Admission Council (LSAC) in the amount of $5,000.00 was provided to offset postage and printing costs of the program.

The annual stipend of $1,000 for each successful institute participants, although inadequate by today's standards, provides a minimum of federal support for the truly needy students the program services. Other federally-funded graduate and professional programs, e.g., GPOP, Public Service and Mining Fellowships, have provided stipend assistance of minimally $4,200.00 per year and some of these programs have had institutional support components as well. This disparity in funding levels for students funded through similar federal programs under the same legislation has substantially hampered CLEO's efforts to provide even minimally accceptable financial assistance. It was to correct this disparity in assistance, coupled with the program's impressive record of achievement, which encouraged Congress to amend CLEO's legislation to provide new appropriation ceilings for CLEO under the reauthorized Higher Education Act of 1965, as Amended.

The final prong of the Administration's test has also been met. Since CLEO's inception, the federal support has served as seed money for generating the revenues necessary for the conduction of the summer institutes from the law school community. Initially, the non-federal share represented between 20–30 percent of the total summer institute costs. However, over the last several years, the ever-spiralling costs of legal education coupled with the effects of inflation, have thrust an even greater share of the institutes' operating costs upon the law school; given the fixed level of federal support, the law school community now absorbs approximately 60 percent of institute costs as a demonstration of their commitment to the program. The law schools, without federal assistance, cannot maintain the academic institutes while themselves facing reduced education budgets.

In addition, the law schools provide some tuition scholarships, as well as other forms of financial support in recognition of the CLEO Fellows' marginal economic stability. At a time when legal education is, itself, in a difficult fiscal situation, it is extremely important to realize that the $1,000,000. of annual federal support for this program generates as much as $3,000,000.00 in cash and services annually from the law schools. And, it is unlikely that these funds will continue to be forthcoming without the catalyst provided by CLEO. The absence of CLEO from the legal education arena and the national scene generally would serve notice to the country that involvement of our disadvantaged communities in the body-politic is no longer a social priority. When coupled with the present shift in national priorities to economic concerns, the continued viability of the CLEO program assumes symbolic proportions.

The elimination of all federal support to CLEO in fiscal years 1983 and 1984 will have an adverse effect on the program's continued viability. Because the program receives its Congressional appropriation on an annual basis, the proposed cuts would have the greatest immediate impact on the CLEO Fellows presently enrolled in law school. Their background of economic disadvantage, coupled with their receipt of the maximum in available loan resources, makes it unlikely that the modest amount represented by the CLEO fellowship award can be recouped through alternative sources of financial support. For most CLEO students, the $1,000 stipend plus corollary tuition scholarships and loans mean the difference between attending or not attending law school. Thus, it can be anticipated that many will be required to interrupt, if not totally discontinue, their law studies at a point close to completion.

Although the Administration has justified the elimination of funding in fiscal year 1983 on the perceived ability of the program to attract private dollars, the proposed elimination of federal support would serve to cripple the pending fundraising initiative directed at CLEO Alumni, corporations, law firms and foundations. As suggested by the Administration and as its contribution to present efforts to limit federal spending, CLEO is launching a private fundraising campaign with which to increase the small amount of the fellowship presently awarded to program graduates to a more meaningful level. However, the Administration's proposed budget cut could signal a retrenchment in the national commitment to the program which would, in turn, chill the private sector fundraising initiative. Federal support, and partnership with the private sector in CLEO's fundraising, is a necessary prerequisite to the success of these endeavors.

The federal government has made a major commitment in the last decade to the cause of increasing educational opportunity to the poor and disadvantaged groups within our society. This is an important commitment not only in terms of fairness, but also in terms of wise allocation of resources. Compared to many federal support programs, CLEO is impressive because the payoff is concrete, clear and quick. The modest federal support is matched several times by the substantial voluntary contributions of the law school community and is repaid to the government many times over in higher taxes from these individuals and in services to their respective communities.

Although the $1,000,000.00 in federal support represents an extremely modest amount in the overall scheme toward fiscal austerity, it will have a disproportionately negative effect on the minority and disadvantaged communities the program services, particularly given other cuts in social programs. The legal profession is one of the most direct means by which these groups can be fully incorporated into the framework of this society and participate fully in its advantages and benefits. Recognizing that there are current demands on the federal purse that call for fiscal integrity, the very small amount of money required for CLEO can bestow huge dividends for the future.

Thank you for you time and attention.

APPENDIX

CLEO FELLOWS ACADEMIC AND BAR PERFORMANCE DATA: AN ABSTRACT

The twelve years of CLEO have witnessed, among other things, a major educational accomplishment. With the gradual proliferation of affirmative action admissions programs has also come the increased availability of "performance-related" data concerning the minority group student within affirmative action admissions. Thus, many implicit yet prevailing assumptions on minority group performance within the academic arena may now be examined in ways not previously available to us. This is no small development since many of these programs were based, initially, on untested theories regarding the academic potential of minority group students. Moreover, the opportunity to examine long-term implications and societal effects of these programs vis-a-vis the current career placement of program graduates can now be explored with more than merely theoretical projection.

In view of the upcoming legislative reauthorization of CLEO, the CLEO National Office initiated a comprehensive survey in the summer of 1978 to compile relevant data on the performance of the more than 1,410 Program participants during and after their matriculation in law school to assess the Program's impact. To do so, we have examined for each CLEO Fellow surveyed several significant variables, including quantifiable law school admission credentials; performance within the academic arena of law school; bar performance; and most importantly, the employment achievements of the Program's graduates.

Scope of the Survey

The survey of CLEO graduates' academic and bar performance data involved 690 Program Fellows from the entering classes of 1968 through 1975, that is, the law graduates of the classes 1971 through 1978. The survey represented a 48.9% response from the total available pool of 1,410 CLEO law school graduates during the time period covered. It should be noted that at the time the survey was initiated no significant data on bar performance and employment pursuits was yet available from the CLEO entering classes of 1976 through 1979: the 1976 entering classes (i.e., 1979 law graduates) had not yet been fully surveyed; the entering classes of 1977 through 1979 were then enrolled in law school.

Quantifiable Law School Admission Credentials: LSAT and GPA

Of the 664 Fellows for whom we had admission test score data, the mean score of performance on the LSAT was 422 (score range: 200-800); mean UGPA was 2.76 on the scale of 4.00 = A. In the case of both mean UGPA and LSAT of the CLEO Fellows surveyed, it would be improper to project these factors alone as indicative of the potential law school performance projected for this group at-large. This approach would be particularly improper given the weight accorded to non-quantifiable data by most of the law schools which admitted these CLEO students, particularly the CLEO Summer Institute performance evaluation.

However, mean UGPA and LSAT data presents a useful basis for review between CLEO and non-CLEO law school students, particularly when variables of race/ethnicity and law school performance are factored into the analysis. For now, suffice it to say that the mean LSAT performance of CLEO Fellows of 422 was well below the average score achieved by regularly admitted students, i.e., 551.9. Similarly, the cumulative undergraduate academic record of CLEO Fellows surveyed was 2.76 while that of the traditionally accepted law school student approximated 3.02.

Law School Performance: Academic Standing

Preliminarily, it should be noted that the students covered by the survey attended a total of 107 different ABA-approved law schools. However, of the 107 schools attended by the Fellows surveyed, twenty-seven (27) particular schools are associated with a majority of students reporting: 415 of the 682 students (60.8%) for whom data on this factor is available attended one of the 27 highlighted schools. It should be noted as well that the twenty-seven schools present a varied cross-section of institutions currently serving the interests of legal education, including many schools noted nationally for their solid academic programs and rigorously applied academic standards such as the University of California (Los Angeles, Davis, and Berkeley campuses), Harvard University, Georgetown, Columbia, and others. This factor was considered significant because the data on Fellows' academic standing reflects a surprisingly successful record of performance for the period of law school enrollment.

	IN GOOD STANDING ABSOLUTE NO.	% OF TOTAL	LESS THAN GOOD STANDING ABSOLUTE NO.	% OF TOTAL
1ST YEAR	594	87.0	89	13.0
2[illegible] YEAR	643	94.1	40	5.9
[illegible] YEAR	677	99.6	3	0.4
VALID CASES:	680	MISSING CASES:		10

In the first year of law school, 87% of those Fellows surveyed were reported to be in good standing at the conclusion of that period. At the conclusion of the second year of law study the number of students in good standing rose to 94.1%; and in the third year the number rose to a seemingly phenominal 99.6% in good academic standing.

The data on Fellows' academic performance is impressive. Although little national data can be found which presents a clear picture of the general minority law students' rate of retention in law schools for the time period examined, it can be said that the CLEO experience/ result is measurably better. Moreover, when one considers the "predictive index" used in determining student performance in the first year of law study, the success of the CLEO Fellows looms even greater.

Bar Performance

The results of the survey of CLEO Fellows' bar performance has established that 55.8% or 378 of the 678 graduates responding passed their respective bar examination on the first sitting, and that an additional 18.1% or 123 Fellows passed on the second attempt. A total of 73.9% or 501 of those 678 Fellows who responded had passed their respective bar examination at least by their second attempt.

It is important to note that the bar passage rates were restricted to the first jurisdiction in which a graduate sat for the bar examination; moreover, in those few cases where no specific pass date for an examination was available to discern between a bar pass on the first or second try (e.g., a June 1973 graduate whose only recorded sitting and pass on a bar examination occurred in February 1974), it was assumed for the purpose of this study that the individual first sat for the bar

in the same year as his graduation; hence, the February 1974 sitting constituted the second attempt. Where no specific date of bar passage is listed, yet where bar admittance was reported, it is assumed that this admission occurred on a third or subsequent sitting.

	ABSOLUTE NO.	% OF TOTAL
PASS - 1ST ATTEMPT	378	55.8
PASS - 2ND ATTEMPT	123	18.1
PASS - 3RD ATTEMPT OR MORE	81	11.9
FAIL - NO PASS REPORTED	96	14.2
VALID CASES:	678	MISSING CASES: 12

Were one to analyze the national bar data during the years covered by the CLEO survey, i.e., 1971 - 1976, as a total pool, a national bar passage rate of 74% would be derived. The 74% figure compares favorably to the CLEO bar passage rate of 73.9%. Again, given the quantifiable data used in predicting the admission of these students to law school in the first instance, the CLEO Fellows bar performance is indeed significant.

Law School Attended/Bar Passage

The bar examination performance is viewed by many as an essential factor in determining the viability of affirmative admission programs, the policy rationale for the creation of many of these programs having been the gross underrepresentation of minority group presence in the bar. In an effort to ascertain whether the overall success of CLEO Fellows on the bar examination would remain consistent when analyzed in the context of a particular law school's graduates, an additional cross-tabulation of data was conducted pitting the individual law school attended by CLEO Fellows against the variable of bar performance.

The following listing of schools represents those schools with at least ten graduates responding to the survey. For the purpose of this analysis, bar passage was quantified not by the number of individual sittings, but rather by a more general category of bar passage "at any time." In creating the more general category, it

was assumed that the ultimate passage of the bar is the more important consideration when compared with whether an applicant passed on the first, second or third attempt; as noted earlier, the substantial majority of CLEO Fellows passed the bar examination on the first or second effort.

A total of twenty-six (26) were involved in this analysis, representing 59.6% of CLEO Fellows surveyed or 401 of 673 valid cases. Of the twenty-six schools represented, fifteen (15) achieved a ninety percent (90%) or better rate of their graduates having successfully negotiated the bar; an additional seven (7) schools' graduates achieved a bar passage rate of eighty percent (80%) or better. The average total rate of bar passage for all CLEO Fellows surveyed was eighty-seven and one-half percent (87.5%) or 589 of the 673 valid cases.

Several points of interest should be noted when reviewing the following Table: First, the frequency of returns is particularly well distributed, thereby, helping to reduce concern regarding a potentially disparate or aberrational sample. Secondly, the law schools involved, and presumably the bar examination as well, reflect a broad geographic range. This factor alone helps to insure the truly national character of the data. Third, in spite of the random nature of the rate of bar passage, given the number of classes involved and the differing jurisdictions in which candidates sat for the examination, the percentage of those individual candidates who passed a bar examination remained remarkably consistent across the individual schools:

LAW SCHOOL ATTENDED/PASSED BAR AT SOME TIME

Law School	No Pass Reported Absolute No.	%	Passed Absolute No.	%	Row Total Absolute No.	% of Total Survey
1. U. of Denver	9	28.1	23	71.9	32	4.8
2. U. of New Mexico	3	10.7	25	89.3	28	4.2
3. UCLA	8	32.0	17	68.0	25	3.7
4. U. of Virginia	3	13.0	20	87.0	23	3.4
5. U. Calif-Davis	6	28.6	15	71.4	21	3.1
6. Wayne State U.	1	4.8	20	95.2	21	3.1
7. U. of Texas	0	0.0	18	100.0	18	2.7
8. Howard U.	2	11.8	15	88.2	17	2.5
9. U. of Illinois	2	12.5	14	87.5	16	2.4

Law School	No Pass Reported Absolute No.	%	Passed Absolute No.	%	Row Total Absolute No.	% of Total Survey
10. Texas Southern U.	1	6.7	14	93.3	15	2.2
11. Georgetown U.	0	0.0	14	100.0	14	2.1
12. George Washington U.	1	7.7	12	92.3	13	1.9
13. U. of Arizona	1	7.7	12	92.3	13	1.9
14. U. of Southern Calif.	2	15.4	11	84.6	13	1.9
15. Temple U.	1	7.7	12	92.3	13	1.9
16. Arizona State U.	3	25.0	9	75.0	12	1.8
17. U. Calif-Berkeley	2	16.7	10	83.3	12	1.8
18. Columbia U.	1	9.1	10	90.9	11	1.6
19. Harvard U.	1	9.1	10	90.9	11	1.6
20. U. of Florida-Gainesville	0	0.0	11	100.0	11	1.6
21. U. of Miami	0	0.0	11	100.0	11	1.6
22. Rutgers U.-Newark	0	0.0	11	100.0	11	1.6
23. U. of Santa Clara	2	20.0	8	80.0	10	1.5
24. U. Calif-Hastings	1	10.0	9	90.0	10	1.5
25. U. of Houston	0	0.0	10	100.0	10	1.5
26. U. of Notre Dame	0	0.0	10	100.0	10	1.5

Career Patterns

To the extent that the ultimate raison d'etre of any affirmative admission program in law schools is to increase access to the decision-making process of both the private and governmental sectors by members of disadvantaged groups, the career patterns of successful graduates of these programs may be the most significant measure of the success of affirmative admissions.

The CLEO survey sought to shed some light on this question. Questionnaire returns provided career patterns data on 305 CLEO Fellows or 21.6 percent of those candidates eligible to respond. Although by no means complete, the career patterns of CLEO Fellows is particularly interesting when viewed in the context that but for CLEO, many of these attorneys would have been denied access to a legal education. It is interesting to note as well that the career activities of CLEO Fellows extend well beyond the exclusive interests (as traditionally defined) of minority communities, reflecting a job dispersal and diversity of interests of considerable breadth.

Judgeships	8
Elected Officials	1
Legal Education	7
Graduate Education	5
Undergraduate Education	9

PUBLIC SECTOR

Assistant Prosecutors	3
City Attorneys	11
State District Attorneys	10
Federal Agencies, (Administration)	1
Federal Agencies, (Litigation)	25
Judge Advocates General Corps (Military)	3
Judicial Law Clerks	3
Executive Directors, Legal Services	4
Managing Attorneys, Legal Services	7
Staff Attorneys, Legal Services	12
Municipal Government (Administration)	1
Municipal Government (Litigation)	3
Municipal Government (Executive Director)	4
Public Defenders (State & Federal)	11
Public Interest Organizations (Administration)	5
Public Interest Organizations (Litigation)	1
Office of State Attorneys General	15
State Government (Administration)	2
State Government (Litigation)	11
Office of U.S. Attorney	11

PRIVATE SECTOR

Congressional Aides (House of Representatives)	1
Congressional Aides (Senate)	2
Corporate Practice (Litigation)	22
Corporations, Banks, Insurance Companies, Accounting firms, et. al. (Administration)	5
Entrepreneur (Owner of a Real Estate firm)	1
Law Clerk	2
Partner in a Law Firm (3 or more partners in firm)	17
Private Practice (Sole practitioner or partnership)	57
Staff Attorney in a Law Firm (3 or more partners in firm)	7
Staff Attorney in a Small Law Firm	1
Total	305

Conclusion

In the final analysis, the performance of CLEO Fellows speaks for itself. When one considers that the Program consciously services students that the objective predictors showed to be high risk candidates, the CLEO Fellows' academic and post-law school performance successes assume even greater significance.

CLEO PARTICIPANT DATA REPORT
February, 1983

1. Number of students participants in CLEO since its inception:

1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
161	448	212	221	217	233	225	251	220	221	217	224	207	219	217	3,493

2. Number of students successfully completing the summer institute program:

1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
151	444	197	210	123	229	225	244	216	208	213	222	203	211	207	3,303

3. Number of summer institute graduates entering law school:

1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
131	400	191	207	210	218	219	234	205	197	203	214	187	198	189	3,203

4. Number of students who have graduated from law school:

1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
83	293	131	137	144	158	161	152	150	124	114	124	NA	NA	NA	1,771

5. Number of law school graduates who have passed the bar examination:

1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
68	178	82	62	56	53	54	45	2	2	1	NA	NA	NA	NA	603

6. Number of law school graduates for whom CLEO has no bar data:

1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
8	86	39	70	83	97	99	95	148	122	113	124	NA	NA	NA	1,084

7. Number of law school graduates who failed the bar examination:

1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
7	29	10	4	5	8	6	12	NA	NA	NA	NA	NA	NA	NA	81

8. Number of graduates who never took bar examination:

1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
			1			2									3

NOTE: Bar information is grossly understated. This information is not generally known by the law schools and can only be ascertained with accuracy if it is known in which of the fifty (50) jurisdictions an individual sat for an examination.

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8. Number of male students in law school receiving CLEO stipends:

1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
0	0	0	0	0	0	0	0	0	0	3	18	57	87	84	248

9. Number of female students in law school receiving CLEO stipends:

1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
0	0	0	0	0	0	0	0	0	0	1	25	75	66	105	283

10. Total number of students enrolled in law school receiving stipends:

1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
0	0	0	0	0	0	0	0	0	0	3	43	132	164	189	531

11. Number of students receiving stipends in Fall, 1982 - by ethnic breakdown:

	1978	1979	1980	1981	1982	TOTAL
American Indian	-	-	2	1	3	6
American Indian/Black	-	1	-	-	1	2
Appalachian	-	-	1	-	1	2
Asian American	-	1	7	4	6	18
Black	-	31	82	102	110	325
Black/Hispanic	-	-	-	1	-	1
Caucasian	1	2	1	6	5	15
Chicano	2	7	23	36	40	108
Cuban	-	-	3	1	1	5
Hawaiian	-	-	1	-	-	1
Hispanic	-	1	1	2	9	13
Hispanic/Indian	-	-	-	1	-	1
Puerto Rican	-	-	11	9	11	31
Vietnamese	-	-	-	-	1	1
Unknown	-	-	-	1	1	2
TOTAL	3	43	132	164	189	531

12. Number of students enrolled in law school not receiving CLEO stipends:

1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
0	0	0	0	0	0	0	0	0	0	9	1	4	7	7	28

13. Total number of CLEO students enrolled in law school:

1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
0	0	0	0	0	0	0	0	0	0	12	44	136	171	196	559

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14. Number of students auditing CLEO summer institute programs:

1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
0	1	6	3	1	16	23	5	9	11	10	6	20	6	6	123

15. Number of students who never enrolled, deferred entrance, withdrew or were dismissed:

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
Failed Institute	10	4	14	11	4	3	-	-	4	12	4	1	4	8	4	83
Deferred	-	-	-	-	-	-	-	-	-	4	3	3	4	6	2	22
Dismissed	20	56	39	48	36	30	33	28	27	24	35	19	29	24	-	431
Withdrew:																
Gd. Standing	2	8	2	1	2	1	1	-	-	-	-	-	-	-	-	17
Failing	3	8	7	2	3	2	1	1	2	2	-	5	2	1	-	41
Military	4	5	-	-	-	-	1	-	-	-	-	-	-	-	-	10
Medical	-	1	1	1	3	2	2	-	1	1	1	-	1	-	-	14
Finances	-	4	-	1	-	-	-	-	-	-	-	-	-	-	-	5
No Reason	10	23	10	12	11	12	13	18	8	8	12	4	15	1	-	167
Death	-	2	-	-	-	1	-	1	-	1	-	-	-	-	-	5
Academic Status Unk.	4	1	1	5	13	3	6	25	18	37	30	18	2	-	-	163
Leave of Absense	-	-	-	-	-	-	3	4	1	2	1	1	2	-	-	14
Never Enrolled	22	40	7	3	3	13	8	4	6	6	6	6	12	8	15	159
TOTAL	77	152	81	84	75	77	68	81	67	97	92	57	71	48	21	1,148

16. Anticipated CLEO summer institute participants - June, 1983 220

17. Anticipated law school enrollees - Fall, 1983 220

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Mr. OWENS. Thank you, Ms. Flores.

Mr. Larry Rincones, executive director of the CAMP program, St. Edward's University.

STATEMENT OF LARRY RINCONES, EXECUTIVE DIRECTOR, CAMP PROGRAM, ST. EDWARD'S UNIVERSITY

Mr. RINCONES. Thank you.

Mr. Chairman and members of the subcommittee: My name is Larry Rincones. I am Director of the college assistance minority program at St. Edward's University, Austin, Tex.

I am pleased to appear before you this morning in order to reflect my experience as it relates to the college assistance minority program, better known as CAMP, and the high school equivalency program known as HEP.

I would also like to introduce Mr. Arno Fortiz, to my right, who is one of our CAMP alumni who is living here in the Washington, D.C., area. He will also make some brief comments.

The thrust of my testimony is to share with you the St. Edward's University experience in serving one of the most under-represented populations in American higher education, the children of migrant and seasonal farm workers.

Because we are located in the Southwest and are the home base for most of the workers in the central migrant stream, these students are, for the most part, Hispanic. However, because we are a private institution, we recruit from throughout the country. This year we have students from six different States. In Texas alone, we have 45 school districts from which our students come.

The CAMP and HEP programs were first funded by the Office of Economic Opportunity in 1972, transferred to the Department of Labor in 1973, and since 1980 funded by the Department of Education. For this year, six CAMP programs have been funded, two in Texas, two in California, one in Washington State and one in Oregon.

There are 19 HEP sites funded this year which provides for the completion of a GED for migrant high school dropouts. But rather than summarize collective statistics from the 25 programs, I will concentrate on the St. Edward's experience and also make some brief comments in reference to the HEP programs.

In 1972, the CAMP program was funded as a Federal response to postsecondary needs of one of the most under-represented populations in higher education. Consider the challenges we and they have had to overcome:

Challenge No. 1: The level of educational achievement of migrant high school students was the lowest of any sub-group in the Southwest. In 1972, there were more migrant GED graduates than migrant high school graduates. In 1972, there were also, for every 100 migrant students who started high school, less than 20 who earned a diploma. Also in 1972, of every 100 migrant students who started college, only 1 would complete a 4-year degree.

Challenge No. 2: High school migrant students had fewer educational opportunities than any other subgroup in the Southwest. In 1972, there was no linkage between high schools enrolling migrant populations and any college or postsecondary vocational programs.

In 1972, out of 56 secondary schools in Texas which had received moneys for migrant programs, only 27 had actually implemented a separate, special program.

In 1972, high schools serving migrant students had fewer science laboratories and other special facilities than nonmigrant high schools. In 1972, migrant high school students averaged 7 months in school, compared to 9 months for nonmigrant students. Migrant high school students were far more likely to be enrolled in a general high school curriculum than in a college preparatory or vocational preparatory course.

Challenge No. 3: The litany of difficulties facing migrant high school graduates as they enter college was overpowering. As first-generation college students, they had no tradition of success in college. There was little or no reinforcement from the high schools or the general community to persist in college. All had low standardized placement and achievement test scores, had little or no knowledge of proper study habits, almost all were in need of some kind of health care service.

The university environment was new. They had little or no understanding of campus subcultures, value systems, vocabulary, or an understanding of the prevailing cultural basis. Likewise, the college was unlikely to understand their cultural heritage.

Challenge No. 4: The Federal and State system of financial aid for college students worked to the detriment of migrant high school students. That system required that parents fill out the application forms in English. It required summer earnings to be used as part of the student's financial assets. It required financial aid forms be filed during the migration period. It required parents' W-2 forms be submitted when very few parents ever filed for income tax. It required that students work part time, but without providing real assistance in finding a job.

Moreover, the traditional financial aid system in 1972 provided little or no financial aid guidance or budget counseling to assure that students understood the scope of their aid package.

Those were the challenges, and these are the results:

From September 1972 through May 1982, 1,211 migrant students enrolled at St. Edward's University, and an additional 103 were just admitted this past fall, which constituted approximately one-fourth of our entering freshman class.

Since 1972, over 90 percent finished 1 year of college, over 80 percent 2 years of college, and slightly more than 70 percent have either completed a degree program or are still enrolled in college.

Not only is their rate of degree completion significantly higher than that of the overall Hispanic population, but it is significantly higher than the population of the traditional college students. At St. Edward's University, our president, Brother Stephen Walsh, has conferred more bachelor's degrees on migrants than any other college president in the country.

These statistics are of particular importance since the recent study, "Status of Minorities in Higher Education," indicates that only 7 percent of Hispanic and black students who enter our colleges and universities ever graduate. A survey of some 500 migrant students who participated in CAMP in their freshman year and who graduated from either St. Edward's University or from the

CAMP program at Pan American University in Edinburg, Tex., shows that their average entry level salary was $14,600, approximately three times the total income of their families when they entered college.

We estimate that about 26 percent of their income goes to local, State, and Federal taxes. A rough compilation indicates that these CAMP graduates alone will have paid $2 million in new taxes. In short, these graduates have already returned to the Public Treasury more dollars than was invested in their education by those two CAMP programs.

Among their numbers are teachers, social workers, police officers, self-employed entrepreneurs, pharmacists, lawyers, engineers, probation officers, accountants, and managers. An increasing number are entering graduate and professional schools. In this last group is a graduate of Georgetown Law School, a Ph. D. candidate in labor economics from the University of Michigan, a Ph. D. candidate in economics at the University of Notre Dame, a first-year student at Baylor Medical School, and students at the University of Texas Dental School.

Essentially, CAMP is a highly prescriptive freshman year support program. While students are enrolled in the regular, ongoing freshman courses, they are likewise required to meet all the program requirements carried out in the various components of the projects. The program components are:

Component No. 1—Recruitment. The program hires its own admissions counselor to work with some 238 high schools and referral agencies throughout the country.

Component No. 2—Orientation. All CAMP students must attend a precollege summer enrichment program to develop effective study skills and to enhance writing, math and reading skills.

Component No. 3—Academic advising. All students are interviewed prior to the beginning of their studies at St. Edward's University to review the adequacy of their programs and plans. This component is extremely important because of the low expectation of mentality by teachers and counselors that has existed historically in the high schools and because of the type of courses that migrants have traditionally been tracked in.

Component No. 4—Tutoring. The tutoring program is mandatory in all courses taken. Students are required to attend 4 hours of tutoring per week.

Component No. 5—Counseling. All students are required to meet biweekly with both professional and peer counselors.

Component No. 6—Financial aid. First-year CAMP students are all awarded full-need financial aid packages. A full financial aid package assures students will concentrate totally on their courses.

Component No. 7—Budgeting. Students must submit monthly budgets in order to receive their allowance.

Component No. 8—Summer employment. CAMP students are assisted to find summer employment.

Component No. 9—contracts. Students are required to accept responsibility for their own actions by signing contracts which cover attendance, punctuality, participation in tutoring and counseling, and observance of university rules and regulations.

Component No. 10—university curricular support. A whole array of competency-based, credit-bearing courses in labs, in reading, math, writing and listening provide the means for CAMP students to quickly improve their basic skills.

Component No. 11—health services. All students are provided health insurance, a complete physical examination, dental and eye care. We have found that 70 percent of the students have at least one serious medical problem when they arrive on campus. The types of medical problems are orthopedic, gynecological, dermatological, genital or urinary, cardiovascular, auditory and neurological. Because 90 percent of the students have never seen a dentist or an optometrist, the majority of the problems fall in the vision and dental category.

The last component—housing. All the CAMP students are required to live on campus at St. Edward's University. Because the majority of our students come from rural areas in Texas and other States, university housing is essential for their integration into university life. I should add that a recent study by Alexander Ast entitled, "Minorities in Higher Education" indicates that minority students who live in university housing are more likely to persist to a baccalaureate completion than those who live at home with their parents. This is especially true for Mexican-American and black students.

Finally, during the past year we have received significant support from the private sector to offset Federal budget reductions. The Dayton-Hudson Corp., Target Stores, B. Dalton Book Stores, the General Mills Foundation, Pillsbury Corp. and Foundation, the Ockle Foundation and the Meadows & Hogg Foundations have all made gifts in support of our migrant programs.

There are various motivations for this support. Some have a general commitment to support programs for Hispanics, but until now have had difficulty identifying a specific postsecondary program with a sustained record of success. Others are interested in order to enhance their corporate job recruitment. Migrants make good employees since they are used to working 14 hours a day in the fields. The usual 8-hour work day, even with overtime, seems a breeze.

Despite the remarkable achievement of these students, despite the significant contribution as new taxpayers, despite the successful definition of an effective model of an alternative to the revolving door and despite growing private sector support, I must inform you that the $7.5 million appropriated for the CAMP and HEP programs for fiscal year 1983 are in rescission status and the administration has asked that these programs be zeroed out for fiscal year 1984.

Removing for migrant students their only hope to earn a GED and obtain a college education will have a long-range negative impact on a people who have already been oppressed for more than 100 years. These two programs are specifically designed to provide the opportunity for this population to enjoy a better tomorrow.

Furthermore, data and research indicate that these two programs have been extremely effective in providing educational service to migrant students. The Clark-Phipps-Clark and Harris Research firm in 1980 provided a comprehensive analysis of the CAMP and HEP programs. The major findings were:

CAMP participants were primarily migrants; HEP participants tended to be seasonal farm workers.

HEP was effective by every criteria analyzed. HEP participants passed the GED in 1973 at 56 percent, at 78 percent in 1979.

CAMP was effective by two criteria for college success: student retention and grade point average.

This program is comparable in objectives to the Department of Education special services program. The latter has not been as effective in retaining students in postsecondary education.

Mr. OWENS. Can you summarize Mr. Rincones?

Mr. RINCONES. Yes, sir.

It is easy to say that CAMP and HEP participants can be best served by other programs. However, the research and data indicate otherwise. Ernestina Caraciza conducted a research project entitled, "A Cross-cutting Analysis of Migrant Education in the Department of Education" which revealed these two major shortcomings:

Traditional outreach and recruitment of migrant students is nonexistent or ineffective in adult and postsecondary education.

Adult and postsecondary education agencies have minimum inclusion of migrants.

Data about migrants is nonexistent.

The situation in postsecondary is even worse.

TRIO program officials cannot identify efforts for recruitment and retention of migrant students.

Finally, special programs designated for migrants reach migrants; general programs do not.

My complete testimony is included for the record.

[Prepared statement of Larry Rincones follows:]

PREPARED STATEMENT OF LARRY RINCONES, DIRECTOR, COLLEGE ASSISTANCE MIGRANT PROGRAM, ST. EDWARD'S UNIVERSITY, AUSTIN, TEX.

Mr. Chairman, and members of the subcommittee, my name is Larry Rincones. I am the Director of the College Assistance Migrant Program at St. Edward's University, Austin, Texas. I am pleased to appear before you this morning in order to reflect on my experience as it relates to the College Assistance Migrant Program (CAMP) and the High School Equivalency Program (HEP). I also would like to introduce Mr. Arnulfo Ortiz, who is one of our CAMP alumni who is living here in D.C. He will also make some brief comments.

The thrust of my testimony is to share with you St. Edward's experience in serving one of the most underrepresented populations in American higher education: the children of migrant and seasonal farmworkers. Because we are located in the Southwest and are the home base for most of the workers in the Central migrant stream, these students are for the most part Hispanic. However, because we are a private institution we recruit from throughout the country. This year we have students from six different states. In Texas alone, we have forty-five school districts from which our students come from.

The CAMP and HEP programs were first funded by the Office of Economic Opportunity in 1972 and transferred to the Department of Labor in 1973, and since 1980, funded by the Department of Education. For this year, six CAMP programs have been funded: two in Texas, two in California, one in Washington, and one in Oregon. there are nineteen HEP sites funded this year which provided for the completion of the GED for migrant high school dropouts. But rather than summarize collective statistics from the twenty-five progams, I will concentrate on the St. Edward's University experience and also make some brief references to the HEP programs.

In 1972, the CAMP program was funded as a federal response to postsecondary needs of one of the most underrepresented population in higher education. Consider the challenges we and they have had to overcome.

Challenge 1—The level of educational achievement of Migrant high school students was the lowest of any subgroup in the Southwest.

A. In 1972, there were more migrant GED graduates than migrant high school graduates.

B. In 1972, of every 100 migrant students who started high school less than 20 earned a diploma.

C. In 1972, of every 100 migrant students who started college only one would complete a four year degree.

Challenge 2—High school migrant students had fewer educational opportunities than any other subgroup in the Southwest.

A. In 1972, there was no linkage between high schools enrolling migrant populations and any college or postsecondary vocational programs.

B. In 1972, of the 56 secondary schools in Texas which had receive monies for migrant programs, only 27 had actually implemented a separate special program.

C. In 1972, high schools serving migrant students had fewer science laboratories and other special facilities than non-migrant high schools.

D. In 1972, migrant high school students averaged 7 months in school compared to 9 months for non-migrant students.

E. Migrant high school students were far more likely to be enrolled in a general high school curriculum than in a college preparatory or vocational preparatory course.

Challenge 3—The litany of difficulties facing migrant high school graduates as they enter college was overpowering.

A. As first genration college students they had no tradition of success in college.

B. There was little or no reinforcement from their high schools or the general community to persist in college.

C. All had low standardized placement and achievement test scores.

D. They had little or no knowlege of proper study habits.

E. Almost all were in need of some kind of health care service.

F. The university environment was new. They had little or no understanding of campus subcultures, value systems, vocabulary, or an understanding of the prevailing cultural bases. Likewise, the college was unlikely to understand their cultural heritage.

Challenge 4—The federal and state system of financial aid for college students worked to the detriment of migrant high school students. That system required that:

A. Parents fill out the application forms in English.

B. Summer earnings be used as part of the student's financial aid assets.

C. Financial aid forms be filed during the migration period.

D. Parents' W-2 forms be submitted when very few parents ever filed for income tax.

E. Students work part time but without providing real assistance in finding a job.

Moreover, the traditional financial aid system in 1972, provided little or no financial aid guidance or budget counseling to assure that students understood the scope of their aid package.

Those were the challenges and these are the results: From September 1972 through May 1982, 1,211 migrants enrolled at St.Edward's (an additional 103 were admitted this fall, constituting approximately one-fourth of our entering freshman class). Since 1972, over 90 percent finished one year of college, over 80 percent two years of college, and slightly more than 70 percent have either completed a degree program or are still enrolled in college. Not only is their rate of degree completion significantly higher than that of the overall Hispanic population but it is significantly higher than the population of the traditional college students. At St. Edward's University, our President, Brother Stephen Walsh has conferred more bachelor degrees on migrants than any other college president in this country. These statistics are of particular importance since a recent study by Alexander Astin of Minorities in Higher Education indicates that only 7 percent of Hispanic and Black students who enter our colleges and universities even graduate.

A survey of some 500 migrant students, who participated in CAMP in their freshman year and who graduated from either St. Edward's University or from the CAMP program at Pan American University in Edinburg, Texas, shows that their average entry level salary was $14,600, approximately 2.5 times the total income of their families when they entered college. We estimate that about 26 percent of their income goes to local, state, and federal taxes. A rough compilation indicates that these CAMP graduates alone will have paid two million dollars in new taxes. In short, these graduates have already returned to the public treasury more dollars that was invested in their education by the two CAMP programs.

Among their number are teachers, social workers, police officers, self-employed entrepreneurs, pharmacists, lawyers, engineers, probation officers, accountants, and managers; an increasing number are entering graduate and professional schools. In this last group are a graduate of Georgetown Law School, a Ph. D candidate in Labor Economics from the University of Michigan, a Ph. D candidate in Economics at the University of Notre Dame, a first year student at Baylor Medical School and students at the University of Texas Dental School.

Essentially, CAMP is a highly prescriptive freshman year support program. While students are enrolled in the regular on-going freshman courses, they are likewise required to meet all the program requirements carried out in the various components of the project. These program components are:

1. Recruitment: the program hires its own admission counselor to work with some 238 high schools and referral agencies throughout the country.

2. Orientation: all CAMP students must attend a pre-college summer enrichment program to develop effective study skills and to enhance writing, math, and reading skills.

3. Academic Advising: all students are interviewed prior to the beginning of their studies at St. Edward's to review the adequacy of their programs and plans. This component is extremely important because of the low expectations mentality of teachers and counselors that has existed historically in the high schools and because of the type of courses that migrants have traditionaly been tracked in.

4. Tutoring: the tutoring program is mandatory in all courses taken; students are required to attend four hours of tutoring per week.

5. Counseling: all students are required to meet bi-weekly with both professional and peer counselors.

6. Financial Aid: first year CAMP students are all awarded full need financial aid packages. A full financial aid package assures students will concentrate totally on their courses.

7. Budgeting: students must submit monthly budgets in order to receive their allowances.

8. Summer Employment: CAMP assists students to find summer employment.

9. Contracts: students are required to a accept responsibility for their own actions by signing contracts which cover attendance, punctuality, participation in tutoring and counseling, and observance of university rules and regulations.

10. University Curricular Support: a whole array of competency based, credit bearing courses and labs in reading, math, writing, and listening provide the means for CAMP students to quickly improve their basic skills.

11. Health Services: all students are provided health insurance, a complete physical examination, and dental and eye care. We have found that 50 percent of the students have at least one serious medical problem when they arrive on campus. The types of medical problems are orthopedic, gynecological, dermatological, genital-urinary, cardio-vascular, auditory, and neurological. because 90 percent of the students have never seen a dentist or an optometrist, the majority of the problems fall on the vision and dental category. However, there is a significant percentage of students having respiratory, sinus, and allergy related problems. We suspect that these latter problems result from their exposure to the different agriculture related chemicals as they work in the fields.

12. Housing: all the CAMP students are required to live on campus at SEU. Because the majority of our students came from rural areas in Texas and other states, university housing is essential for their integration to university life. I should also add that the recent study by Alexander Astin indicates that minority students who live in university housing are more likely to persist to a baccalaureate completion than those who live at home with their parents; this is especially true for Mexican-Americans and Blacks.

Finally, during the past year we have received significant support from the private sector to offset federal budget reductions. The Dayton-Hudson Corporation, TARGET stores, B. Dalton Bookstores, the General Mills Foundation, Pillsbury Corporation and Foundation, the ARCO Foundation, and the Meadows and the Hogg Foundations have all made gifts in support of our migrant programs. There are various motivations for this support. Some have a general commitment to supporting programs for Hispanics but until now have had difficulty identifying a specific post-secondary program with a sustained record of success. Others are interested in order to enhance their corporate job recruitment. Migrants make good employees since they are used to working fourteen hours days in the fields, the usual eight hour work day, even with overtime, seems a breeze.

Despite the remarkable academic achievement of these students, despite their significant contribution as new taxpayers, despite the successful definition of an effec-

tive model of an alternative to the revolving door and despite growing private sector support, I must inform you that the 7.5 million dollar appropriation for the CAMP and HEP programs for fiscal year 1983 is in a rescission status and the administration has asked that these programs be zeroed out for fiscal year 1984.

Removing migrant students' only hope to earn a GED and obtain a college eduction will have long range negative impact on a people who have already been oppressed for more than one hundred years. These two programs are specifically designed to provide the opportunity for this population to enjoy a better tomorrow.

Furthermore, data and research indicate that these two programs have been extremely effective with providing educational services for migrant students. The Clark, Phipps, Clark, and Harris research firm in 1980 provided a comprehensive analysis of the HEP and CAMP programs. The major findings were:

1. HEP and CAMP participants tended to be Hispanic and come from high unemployment areas; in South Texas where 75 percent of our students come from there is presently a 30 percent to 50 percent unemployment;

2. CAMP participants were primarily migrants while HEP participants tended to be seasonal farmworkers;

3. HEP was effective by every criteria analyzed. In 1979, approximately two-thirds of HEP participants passed the GED examination (as compared to 56 percent in 1973) and 78 percent were placed in jobs or postsecondary training or education programs;

4. CAMP was effective by two criteria for college success; students retention and grade point average. Historical data on CAMP participants showed high retention rates and satisfactory grade attainment (i.e. 2.0, or averaged grade of "C") and low non-postive termination (7.2 percent or less).

The program that is comparable in objectives to CAMP is the Department of Education's Special Services Program. The latter has not been as effective in retaining students in postsecondary education. While CAMP has an overall success rate of 85 percent, Special Services has an overall success rate of 61 percent distributed among the following outcomes:

Made satisfactory academic progress, 36 percent.

Transferred to another institution, 8 percent.

Graduated, 17 percent.

Again, please keep in mind that CAMP provides services to a student population that has been historically excluded from participating in postsecondary education. Eighty percent of the CAMP students were not college bound students before they were recruited.

The HEP programs when compared to other similar programs are also extremely cost effective. The average cost for training and placing a Job Corps participant is approximately $3,250. The average cost for a HEP participant is $2,300.

It is easy to say that CAMP and HEP participants can be served by other programs. However, the research and data indicate otherwise.

In 1980, Ernestina Carrizisa conducted a research project entitled "A Crosscutting Analysis of Migrant Education Efforts in the Department of Education" which revealed these three major shortcomings:

1. Traditional outreach and recruitment of migrant students is nonexistent or ineffective in Adult and Postsecondary Education agencies or institutions. Adult and Postsecondary Education agencies have minimum inclusion of migrants.

2. Data about migrants is virtually nonexistent in Education agencies.

3. The situation in postsecondary is worse. TRIO program officials could not identify efforts for recruitment and retention of migrant students in Upward Bound, Talent Search, or Special Services. Even when eligibility is established, outreach and recruitment tends to be inappropriate.

The report, "Migrant and Seasonal Farmworker Service: A Service Delivery Assessment," highlights these lingering areas of concern;

1. Special programs designated for migrants reach migrants. General programs do not.

2. Service outcomes are difficult to determine, discouraging under quantitive analysis, but hoeful when viewing specific accomplishments. HEP and CAMP offer both quantitive analsysis and specific accomplishments.

3. General human and educational service programs are frequently not responsive to the predominantly hispanic farmworker population with their special language, problem, culture, lifestyle and historical oppression. CAMP and HEP are.

Within the TRIO programs you have programs with distinct characteristics: The Special Services programs provide tutoring and counseling support, the Talent Search programs offers identification and recruitment of students, and the Educational Opportunity Programs offer financial assistance. In the CAMP program alone

all these particular services and more nine other services are provided with a higher degree of success.

Mr. Chairman, and members of the subcommittee, the CAMP and HEP programs have had a long history of providing effective services to migrant and seasonal farmworker students. The statistics bear this out. I ask you for your continued support and thank you for giving me the opportunity to appear before you this morning.

Mr. OWENS. Due to the fact that we have had so many interruptions this morning, we have really run out of time. I want to thank all the members of the panel for being so patient.

Just before I turn this over to counsel for any questions that he might have, I want to ask one question.

The thing that you have in common on this panel is that you have all been zeroed out of the proposed budget. I was wondering, each one of you, do you have support, for instance, in the large veterans' organizations? How much support do you have in your case, or the Bar Association, or some of the companies you mentioned? How much support do you have?

Mr. PETERSON. I think because this program is administered through the Department of Education, we have very little support from them simply because they are expressing their interest in other areas rather than education.

The services that we provide are only provided by this program on the college campuses. I don't think any of the major veterans' organizations worry too much about it. That is why this has been such a very valuable program, administered by the Department of Education, out from under the tenets of the Veterans' Administration, because we do serve veterans in higher education and as a result of that, we are the only ones who do.

Mr. OWENS. You said veterans' organizations are not interested in supporting you?

Mr. PETERSON. Well, they have not. Their thrust has been mostly toward medical and other programs, rather than what we specifically do. We haven't sought out their support simply because they work mostly with the Veterans' Administration; we work with the Department of Education.

Mr. OWENS. Ms. Flores?

Ms. FLORES. The program is sponsored by five organizations representing legal education and the legal profession. They are the American Bar Association, the National Bar Association, which is a predominantly black bar association, the National Hispanic Bar Association, and the Law School Admission Council, which is the organization responsible for the law school version of standardized tests, and the Association of American Law Schools.

Presently CLEO fellows are enrolled in approximately 155 of the 172 ABA-approved law schools, so we do enjoy a broad level of support in legal education and the legal profession. In addition, the CLEO alumni, such as myself, are generally in contact with the program and are willing to lend assistance to the program.

Presently we are directing our private fund-raising campaign to secure some assistance, financial contributions, from the fellows who have benefited from the program in the past.

Mr. OWENS. So the American Bar Association has spoken out for continued funding for the program?

Ms. FLORES. Yes.

Mr. OWENS. Thank you.

Mr. RINCONES. I think we have enjoyed traditionally strong general support outside the present Department of Education. We are presently working very hard in trying to obtain some funds from the private sector, but that is a very, very slow process, and I think it would take years for us to come up with those funds to provide the necessary services for these students.

STATEMENT OF AUGUSTINE TRUJILLO, ASSISTANT DIRECTOR, HIGH SCHOOL EQUIVALENCY PROGRAM, UNIVERSITY OF SOUTHERN COLORADO, PUEBLO, COLO.

Mr. TRUJILLO. Mr. Owens, I represent the other half of the CAMP program, the HEP program, one of the 19 that are funded.

I have brought some documentation in terms of our success rate and I would like to point out that both programs have a uniqueness that we don't feel that the TRIO programs would be able to duplicate adequately.

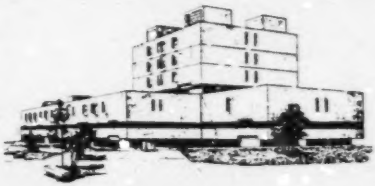
The other thing is that the $7.5 million that is presently appropriated did not really meet the need. We have a waiting list of students wanting to get into the program to get their high school equivalency degree.

Our concern is that before we can get them into college, they need that degree. A lot of them have voiced concern that they can't get into the military because they don't have that degree. They can't go on to college. They can't get better jobs.

So both programs complement each other and they should be continued as they are now and not consolidated under the TRIO concept.

Mr. OWENS. Please submit your statement and any supporting documents and it will be included in the record.

[Information referred to above follows:]



GRADUATES

UNIVERSITY OF
HEP
SOUTHERN COLORADO

PHILOSOPHY OF THE

HIGH SCHOOL

EQUIVALENCY PROGRAM

The High School Equivalency Program is a program which provides the participants with a social, cultural and academic education. It has been designed as a residential educational program operated by Universities and colleges around the country for migrant and seasonal farmworker youth. Each program is geared to provide a positive educational experience and post graduate placement for each of the students. HEP projects prepare the student to successfully pass the General Educational Development (GED) examinations. Upon achieving a passing grade on the GED, each student is placed either in a job, vocational training program or into a post secondary educational institution. Since students enter and leave the program on varying bases, individualized instruction and/or individualized study is an inherent part of HEP.

The ultimate goal of HEP is sustained, progressive employment for the migrant or seasonal farmworker youth. The subgoals of HEP are successful achievement on the GED and a successful placement experience.

The High School Equivalency Program's goal is not only successful completion of the General Education Development Examination, but also to place our graduates in a good paying job with a promising future, or in a vocational training program, or in college. An Equivalency Certificate is not a means to an end, but a beginning through placement and followup, HEP seeks to assure a farmworker youth a change in his future towards a more productive and meaningful life for himself and family.

PROGRAM STAFF

Carlos Maldonado, Director
Augustine Trujillo, Ass't Director
Carol Montoya, Coordinator of Counseling Services
Lynda Moinzad, Admission/Placement Counselor
Frank Gabaldon, Admission/Placemen Counselor
Jorge Mora, Head Teacher, Social Studies/Science
Rebecca Housman, Reading Instructo
Robert Rael, Math Instructor
Sara McKinnon, English Instructor
Ronald Yoder, Dorm Manager
Diane Yallanardo, Secretary
Mary Lucero, Administrative Clerk Typist

SUPPORT STAFF

John Eder, Ass't Dorm Manager
Joe Guerrero, Van Driver/Ass't Dorm Manager
Anette Porter, Ass't Placement Counselor
Brenda Salazar, Clerical Helper
Eddie Salazar, Ass't Dorm Manager
Dan Martinez, Math Teaching Ass't.

BACKGROUND

The High School Equivalency Program at the University of Southern Colorado has been sponsored by the university for approximately thirteen years. HEP is currently under the Department of Student Affairs. Dr. Wilfred Martinez, Vice President, a former HEP Director is in charge of the department.

BEST COPY AVAILABLE

Mr. OWENS. Thank you very much again for coming and for waiting so patiently.

[Whereupon, at 12:40 p.m. the subcommittee adjourned, to reconvene at the call of the chair.]